

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549**

**UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES**

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2004

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-812

UNITED TECHNOLOGIES CORPORATION

DELAWARE

06-0570975

One Financial Plaza, Hartford, Connecticut 06103

(860) 728-7000

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.
Yes . No .

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes . No .

At September 30, 2004 there were 511,043,162 shares of Common Stock outstanding.

**UNITED TECHNOLOGIES CORPORATION
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Quarter Ended September 30, 2004

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“Corporation,” unless the context otherwise requires, means United Technologies Corporation, or UTC, and its subsidiaries.

**UNITED TECHNOLOGIES CORPORATION
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Part I – Financial Information**Item 1. Financial Statements**

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	Quarter Ended September 30,	
	2004	2003
In Millions (except per share amounts)		
Revenues		
Product sales	\$6,675	\$5,763
Service sales	2,573	2,112
Financing revenues and other income, net	91	79
	<u>9,339</u>	<u>7,954</u>
Costs and expenses		
Cost of products sold	5,174	4,349
Cost of services sold	1,623	1,364
Research and development	296	260
Selling, general and administrative	1,070	933
	<u>8,163</u>	<u>7,906</u>
Operating Profit	\$1,176	\$1,048
Interest	89	95
	<u>1,087</u>	<u>953</u>
Income before income taxes and minority interests	1,087	953
Income tax expense	(304)	(267)
Minority interests	(61)	(47)
	<u>722</u>	<u>639</u>
Net income	\$ 722	\$ 639
Earnings per share of Common Stock		
Basic	\$ 1.46	\$ 1.34
Diluted	\$ 1.43	\$ 1.27
Dividends per share of Common Stock	\$.35	\$.27
Average number of shares outstanding		
Basic	496	470
Diluted	505	504

See accompanying Notes to Condensed Consolidated Financial Statements

**UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES**
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	Nine Months Ended September 30,	
	2004	2003
In Millions (except per share amounts)		
Revenues		
Product sales	\$19,347	\$16,440
Service sales	7,713	5,796
Financing revenues and other income, net	547	210
	<u>27,607</u>	<u>22,446</u>
Costs and expenses		
Cost of products sold	15,026	12,437
Cost of services sold	5,012	3,761
Research and development	917	776
Selling, general and administrative	3,263	2,554
	<u>24,218</u>	<u>19,528</u>
Operating Profit	\$ 3,389	\$ 2,918
Interest	267	279
	<u>3,656</u>	<u>3,197</u>
Income before income taxes and minority interests	3,122	2,639
Income tax expense	(810)	(739)
Minority interests	(174)	(127)
	<u>2,138</u>	<u>1,773</u>
Net income	<u>\$ 2,138</u>	<u>\$ 1,773</u>
Earnings per share of Common Stock		
Basic	\$ 4.30	\$ 3.73
Diluted	\$ 4.23	\$ 3.53
Dividends per share of Common Stock	\$ 1.05	\$.785
Average number of shares outstanding		
Basic	497	469
Diluted	506	502

See accompanying Notes to Condensed Consolidated Financial Statements

**UNITED TECHNOLOGIES CORPORATION
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CONDENSED CONSOLIDATED BALANCE SHEET

In Millions	September 30, 2004	December 31, 2003
	(Unaudited)	(Audited)
Assets		
Cash and cash equivalents	\$ 2,340	\$ 1,623
Accounts receivable, net	6,063	5,187
Inventories and contracts in progress, net	4,622	4,420
Future income tax benefits	1,274	1,372
Other current assets	378	388
Total Current Assets	14,677	12,990
Customer financing assets	1,166	1,031
Future income tax benefits	1,217	1,283
Fixed assets	12,149	12,082
Less: Accumulated depreciation	(7,276)	(7,002)
Net Fixed Assets	4,873	5,080
Goodwill	9,666	9,329
Other assets	6,032	5,561
Total Assets	\$ 37,631	\$ 35,274
Liabilities and Shareowners' Equity		
Short-term borrowings	\$ 438	\$ 669
Accounts payable	3,100	2,806
Accrued liabilities	7,765	7,071
Long-term debt currently due	367	375
Total Current Liabilities	11,670	10,921
Long-term debt	4,254	4,257
Future pension and postretirement benefit obligations	4,699	4,752
Other long-term liabilities	3,133	2,928
Minority interest in subsidiary companies	837	709
Shareowners' Equity:		
Common Stock	6,928	6,587
Treasury Stock	(6,019)	(5,335)
Retained earnings	14,103	12,527
Unearned ESOP shares	(262)	(273)
Accumulated other non-shareowners' changes in equity	(1,712)	(1,799)
	13,038	11,707
Total Liabilities and Shareowners' Equity	\$ 37,631	\$ 35,274

See accompanying Notes to Condensed Consolidated Financial Statements

**UNITED TECHNOLOGIES CORPORATION
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2004	2003
In Millions		
Operating Activities:		
Net income	\$ 2,138	\$ 1,773
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	744	570
Deferred income tax provision	218	238
Minority interests in subsidiaries' earnings	174	127
Change in:		
Accounts receivable	(764)	20
Inventories and contracts in progress	(162)	(21)
Accounts payable and accrued liabilities	630	(19)
Other current assets	19	(109)
Voluntary contributions to global pension plans	(559)	(735)
Other, net	403	233
Net cash flows provided by operating activities	<u>2,841</u>	<u>2,077</u>
Investing Activities:		
Capital expenditures	(451)	(322)
Investments in businesses	(341)	(1,076)
Dispositions of businesses	7	10
Increase in customer financing assets, net	(94)	(223)
Other, net	89	35
Net cash flows used in investing activities	<u>(790)</u>	<u>(1,576)</u>
Financing Activities:		
Repayment of long-term debt	(15)	(1,030)
(Decrease) Increase in short-term borrowings, net	(244)	439
Common Stock issued under employee stock plans	252	181
Dividends paid on Common Stock	(496)	(369)
Repurchase of Common Stock	(688)	(301)
Other, net	(149)	(159)
Net cash flows used in financing activities	<u>(1,340)</u>	<u>(1,239)</u>
Effect of foreign exchange rate changes on Cash and cash equivalents	6	79
Net increase (decrease) in Cash and cash equivalents	717	(659)
Cash and cash equivalents, beginning of year	1,623	2,080
Cash and cash equivalents, end of period	<u>\$ 2,340</u>	<u>\$ 1,421</u>

See accompanying Notes to Condensed Consolidated Financial Statements

**UNITED TECHNOLOGIES CORPORATION
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The Condensed Consolidated Financial Statements at September 30, 2004 and for the quarters and nine months ended September 30, 2004 and 2003 are unaudited, but in the opinion of management include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods. The results reported in these Condensed Consolidated Financial Statements should not necessarily be taken as indicative of results that may be expected for the entire year. The financial information included herein should be read in conjunction with the financial statements and notes in the Corporation's Annual Report incorporated by reference in Form 10-K for calendar year 2003. Certain reclassifications have been made to the prior year amounts to conform to the current year presentation.

Employee Benefit Plans

Pension and Postretirement Plans

During the first nine months of 2004 and 2003, the Corporation's total cash contributions to its defined benefit plans were \$647 million and \$800 million, respectively, including \$223 million and \$156 million in the third quarter of 2004 and 2003, respectively. Voluntary contributions comprised \$201 million and \$559 million, respectively, of the total contributions made in the third quarter and first nine months of 2004. During the first nine months of 2004 and 2003, the Corporation also contributed \$99 million and \$86 million, respectively, to its defined contribution plans, including \$32 million in both the third quarter of 2004 and 2003, respectively.

The following tables illustrate the components of net periodic benefit cost for the Corporation's pension and other postretirement benefits.

	Pension Benefits Quarter Ended September 30,		Pension Benefits Nine Months Ended September 30,	
	2004	2003	2004	2003
<i>In Millions</i>				
Components of Net Periodic Benefit Cost:				
Service cost	\$ 85	\$ 75	\$ 249	\$ 217
Interest cost	261	246	774	702
Expected return on plan assets	(310)	(294)	(929)	(846)
Amortization	37	7	114	22
Recognized actuarial net loss	6	12	17	36
Net settlement and curtailment loss	9	—	36	—
Total net periodic benefit cost	\$ 88	\$ 46	\$ 261	\$ 131

	Other Postretirement Benefits Quarter Ended September 30,		Other Postretirement Benefits Nine Months Ended September 30,	
	2004	2003	2004	2003
<i>In Millions</i>				
Components of Net Periodic Benefit Cost:				
Service cost	\$ 2	\$ 2	\$ 5	\$ 6
Interest cost	16	16	48	48
Expected return on plan assets	(1)	(1)	(3)	(3)
Amortization	(6)	(5)	(17)	(15)
Net settlement and curtailment gain	(3)	—	(2)	—
Total net periodic benefit cost	\$ 8	\$ 12	\$ 31	\$ 36

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Stock-Based Compensation

The Corporation has long-term incentive plans authorizing various types of market and performance based incentive awards that may be granted to officers and employees. The Corporation applies APB Opinion 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its long-term incentive plans. The exercise price of stock options is set on the grant date and may not be less than the fair market value per share on that date. Stock options have a term of ten years and generally vest after three years.

The following table illustrates the effect on net income and earnings per share as if the Black-Scholes fair value method described in Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," as amended, had been applied to the Corporation's long-term incentive plans.

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
In Millions (except per share amounts)				
Net income as reported	\$ 722	\$ 639	\$ 2,138	\$ 1,773
Add: Stock-based employee compensation expense included in net income, net of related tax effects	1	2	3	6
Less: Total stock-based employee compensation expense determined under Black-Scholes option pricing model, net of related tax effects	(30)	(34)	(80)	(91)
Pro forma net income	\$ 693	\$ 607	\$ 2,061	\$ 1,688
Earnings per share:				
Basic – as reported	\$1.46	\$1.34	\$ 4.30	\$ 3.73
Basic – pro forma	\$1.40	\$1.28	\$ 4.15	\$ 3.55
Diluted – as reported	\$1.43	\$1.27	\$ 4.23	\$ 3.53
Diluted – pro forma	\$1.37	\$1.20	\$ 4.07	\$ 3.36

Derivative Instruments and Hedging Activities

The Corporation uses derivative instruments, including swaps, forward contracts and options to manage certain foreign currency and interest rate exposures. Derivative instruments are viewed as risk management tools by the Corporation and are not used for trading or speculative purposes. Derivatives used for hedging purposes must be designated and effective as a hedge of the identified risk exposure at the inception of the contract. Accordingly, changes in the fair value of the derivative contract must be highly correlated with changes in the fair value of the underlying hedged item at inception of the hedge and over the life of the hedge contract.

At September 30, 2004 and December 31, 2003, the fair value of derivatives recorded as assets was \$127 million and \$162 million, respectively, and the fair value of derivatives recorded as liabilities was \$28 million and \$56 million, respectively. Of the amount recorded in shareowners' equity, a \$53 million pre-tax gain is expected to be reclassified into sales or cost of products sold to reflect the fixed prices obtained from hedging within the next 12 months. Gains and losses recognized in earnings related to the ineffectiveness of cash flow hedges during the quarter ended September 30, 2004 were immaterial. All open derivative contracts accounted for as cash flow hedges mature by April 2009.

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Non-Shareowners' Changes in Equity

Non-shareowners' changes in equity include all changes in equity during a period except changes resulting from investments by and distributions to shareowners. A summary of the non-shareowners' changes in equity is provided below.

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
In Millions				
Foreign currency translation, net	\$ 100	\$ 26	\$ 36	\$ 358
Unrealized holding gain on marketable equity securities, net	(3)	7	58	26
Cash flow hedging gain (loss), net	16	6	(7)	60
	<u>\$ 113</u>	<u>\$ 39</u>	<u>\$ 87</u>	<u>\$ 444</u>

Inventories and Contracts in Progress

	September 30, 2004	December 31, 2003
In Millions		
Inventories consist of the following:		
Raw materials	\$ 810	\$ 743
Work-in-process	1,190	1,118
Finished goods	2,309	2,221
Contracts in progress	2,553	2,363
	<u>6,862</u>	<u>6,445</u>
Less:		
Progress payments, secured by lien, on U.S. Government contracts	(94)	(110)
Billings on contracts in progress	(2,146)	(1,915)
	<u>\$ 4,622</u>	<u>\$ 4,420</u>

Acquisitions, Goodwill and Other Intangible Assets

During the first nine months of 2004, the Corporation's investment in businesses was \$341 million, including \$132 million in the third quarter of 2004, primarily for acquisitions by Carrier, Chubb, Sikorsky and Otis. The assets and liabilities of acquired businesses are recorded at fair value at the date of acquisition under the purchase method and have been included in the Consolidated Statement of Operations beginning on the effective date of the acquisition.

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As previously disclosed, the Corporation acquired Chubb plc (“Chubb”), a global provider of security and fire protection products and services on July 28, 2003. Under the terms of the purchase agreement, the Corporation acquired 100% of the outstanding shares of Chubb for approximately \$900 million cash and assumed approximately \$1.1 billion of debt. Because the Corporation provides equipment and services for many buildings worldwide, the acquisition of Chubb expands the Corporation’s building system offerings globally. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the July 28, 2003 acquisition date:

In Millions	
Current assets	\$ 887
Property, plant and equipment	260
Intangible assets	962
Goodwill	1,979
<hr/>	
Total assets acquired	\$ 4,088
Accounts payable and accrued liabilities	\$ 1,042
Short-term borrowings	103
Long-term debt	1,039
Pension and postretirement obligations	573
Other liabilities	295
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Total liabilities assumed	\$3,052
<hr/>	
Net assets acquired	\$ 1,036
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In connection with the acquisition of Chubb, the Corporation recorded \$962 million of identifiable intangible assets. The Chubb trademark, valued at \$535 million, was assigned an indefinite life. The amortized intangible assets and the related weighted average amortization periods are as follows: trademarks - \$32 million (30 years), customer relationships - \$389 million (10 years) and completed technology - \$6 million (7 years).

The excess of the purchase price over the amount of net assets acquired was recorded as an increase in goodwill.

The final purchase price allocation of all acquired businesses is subject to finalization of the valuation of certain assets and liabilities, plans for consolidation of facilities and relocation of employees and other integration activities.

The Corporation’s goodwill balances at September 30, 2004 were as follows:

In Millions	<u>Otis</u>	<u>Carrier</u>	<u>Chubb</u>	<u>Pratt & Whitney</u>	<u>Flight Systems</u>	<u>Total Segments</u>	<u>Eliminations and other</u>	<u>Total</u>
Balance as of January 1, 2004	\$911	\$2,059	\$2,096	\$ 462	\$3,807	\$ 9,335	\$ (6)	\$9,329
Goodwill resulting from business combinations completed or finalized	4	69	202	10	8	293	—	293
Foreign currency translation and other	24	2	3	3	6	38	6	44
<hr/>								
Balance as of September 30, 2004	\$939	\$2,130	\$2,301	\$ 475	\$3,821	\$ 9,666	\$ —	\$9,666
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The increase in goodwill of \$337 million for the nine months ended September 30, 2004 was due primarily to the finalization of purchase accounting at Chubb, acquisitions by Carrier and Chubb, and foreign currency translation. Estimated costs relating to restructuring actions that directly impact Chubb’s operations and employees were \$162 million through September 30, 2004, including \$98 million recorded in the third quarter of 2004, and were accounted for as purchase accounting adjustments. Approximately half of the restructuring was related to severance with the remainder related to asset write-downs and other facility exit costs.

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Identifiable intangible assets are recorded in "Other assets" in the Condensed Consolidated Balance Sheet. Amortized intangible assets are comprised of:

In Millions	September 30, 2004		December 31, 2003	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Amortized intangible assets				
Purchased service contracts	\$ 930	\$ (314)	\$ 894	\$ (275)
Patents and trademarks	206	(40)	197	(34)
Other, principally customer relationships	642	(103)	581	(51)
	\$1,778	\$ (457)	\$1,672	\$ (360)

The increase in purchased service contracts was due primarily to the acquisition of service portfolios at Otis. The increase in "other" was due primarily to \$28 million from acquisitions at Carrier and \$27 million from the acquisition of monitoring lines by Chubb, including \$9 million in the third quarter, partially offset by the finalization of purchase accounting at Chubb.

Amortization of intangible assets for the quarter and nine-month periods ending September 30, 2004 was \$35 million and \$98 million, respectively, compared with \$24 million and \$53 million for the same periods of 2003. Amortization of these intangible assets for 2004 through 2008 is expected to approximate \$120 million per year.

Intangible assets determined to have indefinite lives, primarily the Chubb trademark, amounted to \$551 million and \$583 million at September 30, 2004 and December 31, 2003, respectively, and are not amortized. The decrease during the period was primarily related to the finalization of purchase accounting at Chubb.

Accrued Liabilities

In Millions	September 30, 2004	December 31, 2003
Accrued salaries, wages and employee benefits	\$ 1,347	\$ 1,291
Advances on sales contracts	1,672	1,543
Service and warranty	476	534
Service billings	510	265
Income taxes payable	513	521
Accrued restructuring costs	348	100
Other	2,899	2,817
	\$ 7,765	\$ 7,071

In the first nine months of 2004, the Corporation has reclassified approximately \$626 million of prior year amounts from inventory to accrued liabilities, primarily related to billings on contracts in progress, to conform to the current year presentation.

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Guarantees

The Corporation extends a variety of financial, market value and product performance guarantees to third parties. During the first quarter of 2004, the Corporation and Lockheed Martin both individually guaranteed to the U.S. Navy (the "Navy") the performance of a contract between the Navy and a Sikorsky and Lockheed Martin joint venture, which will provide full life-cycle logistics support for the Navy's H-60 helicopter fleet. The Corporation's maximum potential payment under this guarantee is approximately \$140 million. The liability recorded for the fair value of the guarantee is not material. While it is possible that the ultimate liability under these commitments may differ from management's assessment, the Corporation believes the liability under this guarantee will not have a material impact on its financial condition, results of operations or cash flows. There have been no other material changes to guarantees outstanding since December 31, 2003.

The changes in the carrying amount of service and product warranties and product performance guarantees for the nine months ended September 30, 2004 are as follows:

In Millions	
Balance as of January 1, 2004	\$ 1,161
Warranties and performance guarantees issued	339
Settlements made	(324)
Other	(8)
	<hr/>
Balance as of September 30, 2004	\$ 1,168

Restructuring

During the first nine months of 2004, the Corporation recorded net pre-tax restructuring and related charges totaling \$473 million for new and ongoing restructuring actions. These charges include \$259 million recorded in the first quarter, \$156 million recorded in the second quarter, and \$58 million recorded in the third quarter. During the first nine months of 2004, the Corporation recorded charges in the segments as follows: Otis \$117 million, Carrier \$202 million, Pratt & Whitney \$97 million, Flight Systems \$43 million and Eliminations and other \$14 million. The charges include \$414 million in cost of sales, \$49 million in selling, general and administrative expenses and \$10 million in other income. As described below, these charges relate to actions initiated during 2004 and 2003.

2004 Actions During the first nine months of 2004, the Corporation initiated restructuring actions relating to ongoing cost reduction efforts, including global workforce reductions and the consolidation of manufacturing, sales and service facilities including Carrier's McMinnville, Tennessee commercial air conditioning and ventilation product manufacturing facility, Otis' Stadthagen, Germany escalator manufacturing facility and various Pratt & Whitney facilities, including a Space Propulsion facility located in San Jose, California. During the first nine months of 2004, net pre-tax restructuring and related charges, totaling \$392 million, included \$335 million recorded in cost of sales, \$47 million in selling, general and administrative expenses and \$10 million in other income.

The 2004 actions that have occurred during the first nine months of the year resulted in net workforce reductions of approximately 2,600 employees and the exiting of 397,000 square feet of facilities. The majority of the remaining workforce and facility related cost reductions are targeted for completion during 2004 and 2005.

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The following table summarizes the accrual balances and utilization by cost type for the 2004 programs:

<u>In Millions</u>	<u>Severance</u>	<u>Asset Write- downs</u>	<u>Facility Exit and Lease Termination Costs</u>	<u>Total</u>
For the quarter ended September 30, 2004				
Restructuring accruals at June 30, 2004	\$ 157	\$ —	\$ 19	\$ 176
Net pre-tax restructuring charges	8	9	27	44
Utilization	(20)	(9)	(27)	(56)
Restructuring accruals at September 30, 2004	<u>\$ 145</u>	<u>\$ —</u>	<u>\$ 19</u>	<u>\$ 164</u>

The following table summarizes expected, incurred and remaining costs for the 2004 programs by type:

<u>In Millions</u>	<u>Severance</u>	<u>Asset Write- downs</u>	<u>Facility Exit and Lease Termination Costs</u>	<u>Total</u>
Expected costs	\$ 229	\$ 71	\$ 222	\$ 522
Costs incurred – quarter ended March 31, 2004	(155)	(20)	(41)	(216)
Costs incurred – quarter ended June 30, 2004	(51)	(42)	(39)	(132)
Costs incurred – quarter ended September 30, 2004	(8)	(9)	(27)	(44)
Remaining costs at September 30, 2004	<u>\$ 15</u>	<u>\$ —</u>	<u>\$ 115</u>	<u>\$ 130</u>

The following table summarizes expected, incurred and remaining costs for the 2004 programs by segment:

<u>In Millions</u>	<u>Otis</u>	<u>Carrier</u>	<u>Pratt & Whitney</u>	<u>Flight Systems</u>	<u>Eliminations and other</u>	<u>Total</u>
Expected costs	\$ 109	\$ 172	\$ 164	\$ 63	\$ 14	\$ 522
Costs incurred – quarter ended March 31, 2004	(56)	(82)	(51)	(21)	(6)	(216)
Costs incurred – quarter ended June 30, 2004	(32)	(53)	(23)	(17)	(7)	(132)
Costs incurred – quarter ended September 30, 2004	(8)	(9)	(22)	(4)	(1)	(44)
Remaining costs at September 30, 2004	<u>\$ 13</u>	<u>\$ 28</u>	<u>\$ 68</u>	<u>\$ 21</u>	<u>\$ —</u>	<u>\$ 130</u>

2003 Actions During the first nine months of 2004, the Corporation recorded net pre-tax restructuring and related charges of \$81 million for actions initiated during 2003. The charges relate to ongoing cost reduction efforts, including workforce reductions and the consolidation of manufacturing, sales and service facilities including Carrier's Syracuse, New York-based container refrigeration and compression manufacturing operations and Otis' Bloomington, Indiana-based manufacturing, distribution and field tool operations. The charges included \$79 million recorded in cost of sales and \$2 million in selling, general and administrative expenses.

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As of September 30, 2004, net workforce reductions of approximately 3,900 employees have been completed and 920,000 square feet of facilities have been exited since the actions were initiated. The balance of the remaining workforce and facility related cost reduction actions are targeted for completion through early 2005.

The following table summarizes the accrual balances and utilization by cost type for the 2003 programs:

<u>In Millions</u>	<u>Severance</u>	<u>Asset Write- downs</u>	<u>Facility Exit and Lease Termination Costs</u>	<u>Total</u>
For the quarter ended September 30, 2004				
Restructuring accruals at June 30, 2004	\$ 44	\$ —	\$ 5	\$ 49
Net pre-tax restructuring charges	1	—	13	14
Utilization	(15)	(—)	(10)	(25)
Restructuring accruals at September 30, 2004	<u>\$ 30</u>	<u>\$ —</u>	<u>\$ 8</u>	<u>\$ 38</u>

The following table summarizes expected, incurred and remaining costs for the 2003 programs by type:

<u>In Millions</u>	<u>Severance</u>	<u>Asset Write- downs</u>	<u>Facility Exit and Lease Termination Costs</u>	<u>Total</u>
Expected costs	\$ 178	\$ 8	\$ 108	\$ 294
Costs incurred – through December 31, 2003	(150)	(8)	(41)	(199)
Costs incurred – quarter ended March 31, 2004	(16)	(—)	(27)	(43)
Costs incurred – quarter ended June 30, 2004	(9)	(—)	(15)	(24)
Costs incurred – quarter ended September 30, 2004	(1)	(—)	(13)	(14)
Remaining costs at September 30, 2004	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ 12</u>	<u>\$ 14</u>

The following table summarizes expected, incurred and remaining costs for the 2003 programs by segment:

<u>In Millions</u>	<u>Otis</u>	<u>Carrier</u>	<u>Pratt & Whitney</u>	<u>Flight Systems</u>	<u>Eliminations and other</u>	<u>Total</u>
Expected costs	\$ 98	\$ 130	\$ 29	\$ 27	\$ 10	\$ 294
Costs incurred – through December 31, 2003	(71)	(65)	(27)	(26)	(10)	(199)
Costs incurred – quarter ended March 31, 2004	(12)	(31)	(—)	(—)	(—)	(43)
Costs incurred – quarter ended June 30, 2004	(6)	(18)	(—)	(—)	(—)	(24)
Costs incurred – quarter ended September 30, 2004	(3)	(9)	(1)	(1)	(—)	(14)
Remaining costs at September 30, 2004	<u>\$ 6</u>	<u>\$ 7</u>	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 14</u>

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Contingent Liabilities

As previously disclosed, the European Commission's competition directorate (the "Commission") conducted inspections earlier this year at offices of the Corporation's Otis subsidiary in Berlin, Brussels, Luxembourg and Paris. The inspections relate to the Commission's ongoing investigation of possible unlawful collusive arrangements involving the elevator and escalator industry in Europe. The Corporation is cooperating fully with the Commission's investigation. Based on the results of its own internal investigation, the Corporation believes that some Otis employees in limited European locations engaged in activities at a local level in violation of Otis and Corporation policies, and may have violated applicable competition law. It is still too early in the Commission's investigation for the Corporation to reasonably estimate the range of civil fines to which it would likely be subject. The aggregate amount of such fines, if ultimately imposed, could be material to the Corporation's operating results for the period in which the liability would be recognized or cash flows for the period in which the fines would be paid. The Corporation does not believe that any such fines would have a material adverse effect on the Corporation's financial condition, or that the resolution of this matter would have a material adverse effect on Otis' competitive position.

As previously reported, a qui tam relator filed a complaint in July 1997 against the Corporation and its subsidiary, Norden Systems, Inc., in the U.S. District Court in Connecticut (U.S. ex rel. Drake v. Norden Systems, Inc. and UTC, No. 394CV00963) alleging that the Corporation and Norden are liable under the civil False Claims Act for violating U.S. Government rules on accounting for fixed assets. The qui tam relator claimed unspecified damages and penalties. The Government declined to intervene. In February 2003, the District Court granted the Corporation's motion to dismiss the case for lack of prosecution and the relator appealed. In July 2004, the U.S. Court of Appeals for the Second Circuit affirmed the dismissal of the claims against the Corporation, but remanded certain of the claims against Norden back to the District Court for further proceedings. The civil False Claims Act provides for treble damages and penalties of up to \$10,000 per false claim submitted to the Government. The number of false claims, if any, implicated by the remaining claims cannot currently be ascertained; however, if determined adversely to Norden, the number could result in significant damages and penalties, which the Corporation might be required to pay. The Corporation believes the claims against Norden are without merit, and intends to continue to defend this matter vigorously.

Carrier Corporation has reached an agreement in principle with the U.S. Environmental Protection Agency ("EPA") to resolve its current liability at the Puente Valley Operable Unit Superfund Site in California. Under the proposed agreement, Carrier would pay approximately \$125,000 and undertake an environmental project for approximately \$500,000, in settlement of claims for civil penalties related to alleged noncompliance with an administrative order. The Corporation expects the proposed agreement with the EPA to be finalized in a consent decree subject to approval by the U.S. District Court for the Central District of California, which is expected in the first half of 2005. Management believes that the resolution of this matter will not have a material adverse effect upon the Corporation's competitive position, financial position or results of operations.

Summarized below are the matters previously described in Notes 1 and 16 of the Notes to the Consolidated Financial Statements in the Corporation's Annual Report, incorporated by reference in Form 10-K for calendar year 2003.

Environmental

The Corporation's operations are subject to environmental regulation by federal, state and local authorities in the United States and regulatory authorities with jurisdiction over its foreign operations.

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Environmental investigatory, remediation, operating and maintenance costs are accrued when it is probable that a liability has been incurred and the amount can be reasonably estimated. The most likely cost to be incurred is accrued based on an evaluation of currently available facts with respect to each individual site, including existing technology, current laws and regulations and prior remediation experience. Where no amount within a range of estimates is more likely, the minimum is accrued. For sites with multiple responsible parties, the Corporation considers its likely proportionate share of the anticipated remediation costs and the ability of the other parties to fulfill their obligations in establishing a provision for those costs. Liabilities with fixed or reliably determinable future cash payments are discounted. Accrued environmental liabilities are not reduced by potential insurance reimbursements. The Corporation periodically reassesses these accrued amounts. Management believes that the likelihood of incurring losses materially in excess of amounts accrued is remote.

U.S. Government

The Corporation is now, and believes that in light of the current government contracting environment it will be, the subject of one or more government investigations. If the Corporation or one of its business units were charged with wrongdoing as a result of any of these investigations or other government investigations (including violations of certain environmental or export laws) it could be suspended from bidding on or receiving awards of new government contracts pending the completion of legal proceedings. If convicted or found liable, the Corporation could be fined and debarred from new government contracting for a period generally not to exceed three years. Any contracts found to be tainted by fraud could be voided by the Government.

The Corporation's contracts with the U.S. Government are also subject to audits. Like many defense contractors, the Corporation has received audit reports, which recommend that certain contract prices should be reduced to comply with various government regulations. Some of these audit reports involve substantial amounts. The Corporation has made voluntary refunds in those cases it believes appropriate and continues to litigate certain cases. In addition, the Corporation accrues for liabilities associated with those matters that are probable and can be reasonably estimated.

Should the Government ultimately prevail with respect to one or more of the significant government contracting matters the Corporation has disclosed, the outcome could result in a material effect on the Corporation's results of operations in the period the matter is resolved. However, the Corporation believes that the resolution of these matters will not have a material adverse effect on the Corporation's results of operations, competitive position, cash flows or financial condition.

Other

The Corporation extends performance and operating cost guarantees beyond its normal warranty and service policies for extended periods on some of its products, particularly commercial aircraft engines. Liability under such guarantees is contingent upon future product performance and durability. In addition, the Corporation incurs discretionary costs to service its products in connection with product performance issues. The Corporation has accrued its estimated liability that may result under these guarantees and for service costs which are probable and can be reasonably estimated.

The Corporation also has other commitments and contingent liabilities related to legal proceedings and matters arising out of the normal course of business.

The Corporation has accrued for environmental investigatory, remediation, operating and maintenance costs, performance guarantees and other litigation and claims based on management's estimate of the probable outcome of these matters. While it is possible that the outcome of these matters may differ from the recorded liability, management believes that resolution of these matters will not have a material impact on the Corporation's financial condition, competitive position, results of operations or cash flows.

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Earnings Per Share

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
In Millions (except per share amounts)				
Net income	\$ 722	\$ 639	\$ 2,138	\$ 1,773
Less: ESOP Stock dividends	—	(8)	—	(24)
Basic earnings	722	631	2,138	1,749
ESOP Stock adjustment	—	7	—	22
Diluted earnings	\$ 722	\$ 638	\$ 2,138	\$ 1,771
Average shares:				
Basic	496	470	497	469
Stock awards	9	8	9	6
ESOP Stock	—	26	—	27
Diluted	505	504	506	502
Earnings per share of Common Stock:				
Basic	\$1.46	\$1.34	\$ 4.30	\$ 3.73
Diluted	\$1.43	\$1.27	\$ 4.23	\$ 3.53

Income Taxes

The Corporation has exposures relating to tax filings in the ordinary course of business. The Corporation periodically assesses its liabilities and contingencies for all tax years under audit based upon the latest information available. For those matters where it is probable that an adjustment will be asserted, the Corporation has recorded its best estimate of tax liability (including related interest charges) in its consolidated financial statements.

In the second quarter of 2004, the Corporation reached a settlement with the Internal Revenue Service (“IRS”) and obtained final review by the U.S. Congress Joint Committee on Taxation related to claims and other disputed items related to the 1986 to 1993 U.S. Federal tax audits. The settlement resulted in an approximate \$80 million reduction in tax expense and approximately \$125 million of pretax interest income.

Segment Financial Data

The Corporation’s operations are classified into five principal segments: Otis, Carrier, Chubb, Pratt & Whitney and Flight Systems. Those segments were generally determined based on the management structure of the businesses and the groupings of similar operating companies, where each management organization has general operating autonomy over diversified products and services. Segment financial data include the results of the Corporation’s majority-owned businesses, consistent with the management reporting of these businesses. For certain of these subsidiaries, minority shareholders have rights which, under the provisions of Emerging Issues Task Force (“EITF”) 96-16 “*Investor’s Accounting for an Investee When the Investor Has a Majority of the Voting Interest but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights,*” overcome the presumption of control. In the Corporation’s consolidated results through the year ended December 31, 2003, these entities were accounted for under the equity method of accounting.

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Effective January 1, 2004, the Corporation adopted the provisions of the FASB Interpretation No. 46(R), "Consolidation of Variable Interest Entities – An Interpretation of ARB No. 51" ("FIN 46"). The interpretation requires variable interest entities to be consolidated if the equity investment at risk is not sufficient to permit an entity to finance its activities without support from other parties or the equity investors lack certain specified characteristics. While the adoption of FIN 46 did not have a material impact on the Corporation's results of operations, financial condition or cash flows in the third quarter and first nine months of 2004, it did result in the consolidation of certain entities that were previously accounted for under the equity method of accounting under the provisions of EITF 96-16. Adjustments to reconcile segment reporting to consolidated results for the quarters and nine months ended September 30, 2004 and 2003, respectively, are included in "Eliminations and other," which also includes certain small subsidiaries.

Results for the quarter and nine months ended September 30, 2004 and 2003 are as follows:

In Millions	Revenues		Operating Profits		Operating Profit Margin	
	2004	2003	2004	2003	2004	2003
Quarter Ended September 30,						
Otis	\$2,245	\$1,941	\$ 409	\$ 350	18.2%	18.0%
Carrier	2,678	2,453	313	304	11.7%	12.4%
Chubb	697	416	35	20	5.0%	4.8%
Pratt & Whitney	2,106	1,859	318	281	15.1%	15.1%
Flight Systems	1,647	1,424	224	199	13.6%	14.0%
Total segment	9,373	8,093	1,299	1,154	13.9%	14.3%
Eliminations and other	(34)	(139)	(52)	(55)		
General corporate expenses	—	—	(71)	(51)		
Consolidated	\$9,339	\$7,954	\$1,176	\$1,048		

Third quarter 2004 restructuring and related charges totaling \$58 million included in consolidated operating profit are as follows: Otis - \$11 million, Carrier - \$18 million, Pratt & Whitney - \$23 million, Flight Systems - \$5 million and Eliminations and other - \$1 million.

The Corporation recorded restructuring charges of \$11 million in the third quarter of 2003, similar in nature to those noted above.

In Millions	Revenues		Operating Profits		Operating Profit Margin	
	2004	2003	2004	2003	2004	2003
Nine Months Ended September 30,						
Otis	\$ 6,568	\$ 5,717	\$1,094	\$1,000	16.7%	17.5%
Carrier	7,934	7,050	752	818	9.5%	11.6%
Chubb	2,108	416	102	20	4.8%	4.8%
Pratt & Whitney	6,134	5,538	846	826	13.8%	14.9%
Flight Systems	4,662	4,133	609	559	13.1%	13.5%
Total segment	27,406	22,854	3,403	3,223	12.4%	14.1%
Eliminations and other	201	(408)	191	(140)		
General corporate expenses	—	—	(205)	(165)		
Consolidated	\$27,607	\$22,446	\$3,389	\$2,918		

Restructuring and related charges for the nine months ended September 30, 2004 totaling \$473 million included in consolidated operating profit are as follows: Otis - \$117 million, Carrier - \$202

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million, Pratt & Whitney - \$97 million, Flight Systems - \$43 million and Eliminations and other - \$14 million.

In the first nine months of 2003, the Corporation recorded restructuring and related charges, similar in nature to those above, of \$44 million in connection with its continuing cost reduction efforts in both the commercial and aerospace segments.

In view of the risks and costs associated with developing new engines, Pratt & Whitney has entered into certain collaboration arrangements in which costs, revenues and risks are shared. Revenues from Pratt & Whitney's engine programs under collaboration agreements are recorded as earned and collaborator share of revenue is recorded as a reduction of revenue at that time. The collaborator share of revenue for the quarters ended September 30, 2004 and 2003 was approximately \$144 million and \$136 million, respectively. For the nine months ended September 30, 2004 and 2003, the approximate collaborator share of revenue was \$448 million and \$395 million, respectively.

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With respect to the unaudited condensed consolidated financial information of United Technologies Corporation for the quarters and nine months ended September 30, 2004 and 2003, PricewaterhouseCoopers LLP (“PricewaterhouseCoopers”) reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their report dated October 26, 2004, appearing below, states that they did not audit and they do not express an opinion on that unaudited condensed consolidated financial information. PricewaterhouseCoopers has not carried out any significant or additional audit tests beyond those which would have been necessary if their report had not been included. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. PricewaterhouseCoopers is not subject to the liability provisions of Section 11 of the Securities Act of 1933 (“the Act”) for their report on the unaudited condensed consolidated financial information because that report is not a “report” or a “part” of a registration statement prepared or certified by PricewaterhouseCoopers within the meaning of Sections 7 and 11 of the Act.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareowners of
United Technologies Corporation

We have reviewed the accompanying condensed consolidated balance sheet of United Technologies Corporation (the “Corporation”) and its consolidated subsidiaries as of September 30, 2004, and the related condensed consolidated statement of operations for each of the three-month and nine-month periods ended September 30, 2004 and 2003, and the condensed consolidated statement of cash flows for the nine-month periods ended September 30, 2004 and 2003. This interim financial information is the responsibility of the Corporation’s management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2003, and the related consolidated statements of operations, of changes in shareowners’ equity and of cash flows for the year then ended (not presented herein), and in our report dated January 20, 2004, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2003, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Hartford, Connecticut
October 26, 2004

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

BUSINESS ENVIRONMENT

The Corporation's operations are classified into five principal segments: Otis, Carrier, Chubb, Pratt & Whitney and Flight Systems. Otis, Carrier and Chubb serve customers in the commercial and residential property industries. Carrier also serves commercial and transport refrigeration customers. Pratt & Whitney and the Flight Systems segment, which includes Hamilton Sundstrand and Sikorsky Aircraft ("Sikorsky"), primarily serve commercial and government customers in the aerospace industry and also serve customers in industrial markets.

For discussion of the Corporation's business environment, refer to the discussion of "Business Environment" in Management's Discussion and Analysis of Financial Condition and Results of Operations in the Corporation's Annual Report incorporated by reference in the Corporation's Form 10-K for calendar year 2003. The current status of significant factors impacting the Corporation's business environment in 2004 is discussed below.

The Corporation's growth strategy contemplates acquisitions. The rate and extent to which appropriate acquisition opportunities are available and to which acquired businesses are effectively integrated and anticipated synergies or cost savings are achieved can affect the Corporation's operations and results.

As worldwide businesses, the Corporation's operations are affected by global and regional industry, economic and political factors. However, the Corporation's geographic and industry diversity, as well as the diversity of its product sales and services, has helped limit the impact of any one industry or the economy of any single country on its consolidated results. Good economic conditions have led to improvements in heating, ventilating and air conditioning ("HVAC") and elevator markets, which together with improvements in the commercial aerospace aftermarket have contributed positively to the Corporation's results in the first nine months of 2004. In addition, the defense portion of the Corporation's aerospace businesses is affected by changes in market demand and the global political environment. The Corporation's participation in long-term production and development programs for the U.S. Government has contributed positively to the Corporation's results in the first nine months of 2004 and is expected to continue to contribute to results for the remainder of 2004, but at flat to lower levels than in 2003. During the first nine months of 2004, foreign currency translation contributed positively to the Corporation's consolidated results, primarily driven by the strengthening of the euro in relation to the U.S. dollar. In addition, the Corporation continues to pursue investment opportunities in China.

Sikorsky, in a joint venture arrangement with Boeing, received notice in February 2004 of the U.S. Army's (the "Army") intent to terminate the RAH-66 Comanche helicopter program and reallocate funds to restructure and revitalize Army aviation programs to meet current and future needs. A partial Termination for Convenience notice was issued effective March 19, 2004. A limited number of selected technologies are being continued in order to facilitate the transfer of Comanche technology to other programs. In the second quarter of 2004, the Corporation announced the planned closure of its Comanche facility and initiated other cost reduction actions as a result of the program termination. In the third quarter of 2004, the Boeing Sikorsky Joint Venture and U.S. Army agreed to a contract modification that revised and capped program funding levels and established additional contract performance incentives related to the contract termination. The Corporation does not expect the Comanche program termination and the related cost reduction actions to have a material adverse impact on the Corporation's results of operations, financial condition or cash flows.

The Corporation's products and services are regulated by strict safety and performance standards, particularly in the commercial engine business. Compliance with these standards along with the

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competitive dynamics of the commercial airline business can create uncertainty regarding the profitability of commercial engine programs.

Continued commercial airline financial distress, uncertainty in the global economic recovery and changes in commodity prices, interest rates and foreign currency exchange rates create uncertainties that could impact the Corporation's earnings outlook for the remainder of 2004.

CRITICAL ACCOUNTING ESTIMATES

Preparation of the Corporation's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management believes the most complex and sensitive judgments, because of their significance to the consolidated financial statements, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Management's Discussion and Analysis and Note 1 to the Consolidated Financial Statements in the Corporation's Annual Report, incorporated by reference in Form 10-K for the calendar year 2003, describe the significant accounting estimates and policies used in preparation of the Consolidated Financial Statements. Actual results in these areas could differ from management's estimates.

The Corporation has exposures related to tax filings in the ordinary course of business. The Corporation periodically assesses its liabilities and contingencies for all tax years under audit based upon the latest information available. For those matters where it is probable that an adjustment will be asserted, the Corporation has recorded its best estimate of tax liability (including related interest charges) in its consolidated financial statements. In the second quarter of 2004, the Corporation settled open claims and other disputed items related to its 1986 to 1993 U.S. Federal tax audits as further described in "Results of Continuing Operations" below. The IRS is currently auditing the Corporation's 1994 to 1999 Federal tax returns and the Corporation currently expects the examination phase of these audits to be completed in 2005. Timing of final settlement of these periods is contingent upon resolution of any disputed issues that may arise from the examination.

There have been no significant changes in the Corporation's critical accounting estimates during the first nine months of 2004.

RESULTS OF CONTINUING OPERATIONS

Consolidated revenues were \$9,339 million in the third quarter of 2004, an increase of \$1,385 million (17%) when compared to the same period of 2003 and \$27,607 million for the nine-month period of 2004, a \$5,161 million (23%) increase when compared to the same period of 2003. The third quarter and nine-month period increases reflect revenue contributed from acquisitions (5% and 9%, respectively), primarily Chubb, and the favorable impact of foreign currency translation (3% in both periods), primarily resulting from the continued strength of the euro in relation to the U.S. dollar. The increases also reflect revenue growth at Otis and Carrier and increased commercial aerospace volume at Pratt & Whitney and in the Flight Systems segment.

Financing revenues and other income, net, increased \$12 million in the third quarter of 2004 and \$337 million for the first nine months of 2004, when compared to the same periods of 2003. The nine-month increase primarily reflects approximately \$125 million of pretax interest income associated with the favorable settlement of claims and other disputed items related to the 1986 to 1993 U.S. Federal tax audits and a \$250 million payment from DaimlerChrysler in January 2004. In consideration for this payment, the Corporation released DaimlerChrysler from certain commitments previously made in support of MTU Aero Engines GmbH.

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Gross margin as a percentage of sales decreased 1.0 percentage point and 1.2 percentage points in the third quarter and nine-month period of 2004, respectively, when compared to the same periods of 2003. The decreases were due primarily to \$57 million and \$414 million of restructuring charges in the third quarter and first nine months of 2004, respectively, and the impact of increased commodity costs in 2004, primarily at Carrier and Otis, which reduced gross margin by approximately \$50 million and \$100 million in the third quarter and first nine months of 2004.

The Corporation's research and development spending includes both company and customer funded programs. Total research and development spending for the Corporation increased \$41 million (6%) to \$744 million in the third quarter of 2004 compared to the same period of 2003 and increased \$230 million (12%) to \$2,182 million in the first nine months of 2004 compared to the same period of 2003.

Company-funded research and development spending increased \$36 million (14%) and \$141 million (18%) in the third quarter and first nine months of 2004, respectively, when compared to the same periods of 2003. Approximately two-thirds of the third quarter and nine-month increases are due primarily to increases at Pratt & Whitney, reflecting in part, a technology funding agreement at Pratt & Whitney Canada entered into in the first quarter of 2003 and increased spending on commercial engine research and development programs in 2004. As a percentage of sales, research and development was 3.2% in the third quarter and 3.4% in the first nine months of 2004, compared to 3.3% and 3.5% in the same periods of 2003. Company-funded research and development spending is subject to the variable nature of program development schedules.

In addition to company-funded programs, costs related to customer funded research and development programs were \$448 million and \$1.27 billion in the third quarter and first nine months of 2004, respectively, as compared to \$443 million and \$1.18 billion for the same periods of 2003. The third quarter and nine-month increases are due primarily to costs associated with the Comanche termination at Sikorsky, which were largely offset by lower costs associated with Pratt & Whitney's Joint Strike Fighter program. Customer funded research and development costs are expensed as incurred and are recorded as a component of cost of products sold.

Company-funded research and development spending for the full year of 2004 is expected to increase by approximately \$200 million from 2003. Combined company and customer funded research and development spending is expected to be slightly higher than 2003.

Selling, general and administrative expenses increased \$137 million (15%) and \$709 million (28%) in the third quarter and first nine months of 2004, respectively, when compared to the same periods of 2003. The third quarter and nine-month increases were due primarily to the acquisition of Chubb (6% and 16%, respectively) and the remainder due primarily to foreign currency translation at Carrier and Otis. The nine-month results include 2004 restructuring charges of \$49 million (2%). As a percentage of sales, these expenses were 11.6% and 12.1% for the quarter and nine months ended September 30, 2004 compared to 11.8% and 11.5% for the same periods of 2003.

Interest expense decreased \$6 million (6%) and \$12 million (4%) in the third quarter and first nine months of 2004, respectively, when compared to the same periods of 2003, reflecting lower average short-term borrowings.

The effective income tax rate for the third quarter and first nine months of 2004 was 28.0% and 25.9%, respectively, compared to 28% for the comparable periods in 2003. In the second quarter, the Corporation reached settlement with the IRS and obtained final review by the U.S. Congress Joint Committee on Taxation related to claims and other disputed items related to the 1986 to 1993 U.S. Federal tax audits. The settlement resulted in an approximate \$80 million reduction in tax expense and approximately \$125 million in pretax interest income, referred to above, both of which were recorded in the quarter ended June 30, 2004. The Corporation expects its effective tax rate to approximate 28% in

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the fourth quarter of 2004. However, the Corporation's effective tax rate is dependent upon many factors and may vary in future periods. The Corporation is currently evaluating the provisions of the American Jobs Creation Act and its potential impact on the Corporation's effective tax rate.

The effective tax rate in the fourth quarter of 2003 was 24.3% and was favorably impacted by a \$448 million tax loss associated with the sale of a non-core business of Carrier. The tax loss was attributable to a worthless stock deduction relating primarily to a diminution in value of certain assets of International Comfort Products, USA ("ICP, USA") and other events that fixed the loss in 2003, including transfer of substantially all of the heating and cooling assets, trade names and trademarks of ICP, USA to Carrier and the subsequent sale of ICP, USA and its remaining non-core business to a third party. The decrease in value, beginning in 2002 and continuing into 2003, was the result of many factors, the more significant of which were the overall decline in industry conditions, deteriorating pricing, and the loss of a key customer.

The third party sale of the ICP, USA assets did not result in a significant loss for financial accounting purposes because the book value and fair value of the assets were about equal. There was no impairment charge under FAS 142 "Goodwill and Intangible Assets" because the ICP, USA business was included in one of the reporting units within the Carrier segment and the evaluation of that reporting unit did not result in an impairment charge.

Net income and diluted earnings per share increased \$83 million (13%) and \$.16 (13%), respectively, in the third quarter of 2004 when compared with the same period of 2003 and \$365 million (21%) and \$.70 (20%), respectively, in the first nine months of 2004 when compared with the same period of 2003.

Restructuring

During the first nine months of 2004, the Corporation recorded net pre-tax restructuring and related charges totaling \$473 million for new and ongoing restructuring actions. These charges include \$259 million recorded in the first quarter, \$156 million recorded in the second quarter, and \$58 million recorded in the third quarter. During the first nine months of 2004, the Corporation recorded charges in the segments as follows: Otis \$117 million, Carrier \$202 million, Pratt & Whitney \$97 million, Flight Systems \$43 million and Eliminations and other \$14 million. The charges include \$414 million in cost of sales, \$49 million in selling, general and administrative expenses and \$10 million in other income. As described below, these charges relate to actions initiated during 2004 and 2003.

2004 Actions During the first nine months of 2004, the Corporation initiated restructuring actions relating to ongoing cost reduction efforts, including workforce reductions and the consolidation of manufacturing, sales and service facilities including Carrier's McMinnville, Tennessee commercial air conditioning and ventilation product manufacturing facility, Otis' Stadthagen, Germany escalator manufacturing facility and various Pratt & Whitney facilities, including a Space Propulsion facility located in San Jose, California. During the first nine months of 2004, net pre-tax restructuring and related charges, totaling \$392 million, included \$335 million recorded in cost of sales, \$47 million in selling, general and administrative expenses and \$10 million in other income. These charges were recorded in the Corporation's segments as follows: Otis \$96 million, Carrier \$144 million, Pratt & Whitney \$96 million, Flight Systems \$42 million and Eliminations and other \$14 million. These charges included \$214 million for severance and related employee termination costs, \$71 million for asset write-downs, including impairments, largely related to manufacturing assets and exiting facilities that will no longer be utilized, and \$107 million for facility exit and lease termination costs.

The 2004 actions are expected to result in net workforce reductions of approximately 4,500 hourly and salaried employees, the exiting of approximately 5.0 million square feet of facilities and the disposal of assets associated with the exited facilities. Approximately 60% of the total pre-tax charge will require cash payments, which will be primarily funded by cash generated from operations. The

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Corporation had pre-tax cash outflows related to the 2004 programs of approximately \$17 million, \$38 million, and \$29 million during the first, second and third quarters of 2004, respectively. Savings are expected to increase over a two-year period resulting in recurring pre-tax savings of approximately \$210 million annually. As of September 30, 2004, net workforce reductions of approximately 2,600 employees have been completed and 397,000 square feet of facilities have been exited. The majority of the remaining workforce and facility related cost reduction actions are targeted for completion in 2004 and 2005. A significant portion of the remaining square footage to be eliminated under the 2004 actions relates to facilities at Carrier, Otis and Pratt & Whitney. Additional restructuring and related charges of \$130 million are expected to be incurred to complete these actions, primarily in 2004 and 2005. As of September 30, 2004, approximately \$145 million of severance and related costs and \$19 million of facility exit and lease termination accruals remain.

2003 Actions During the first nine months of 2004, the Corporation recorded net pre-tax restructuring and related charges of \$81 million for actions initiated in 2003. These charges relate to ongoing cost reduction efforts, including workforce reductions and the consolidation of manufacturing, sales and service facilities including Carrier's Syracuse, New York-based container refrigeration and compressor manufacturing operations and Otis' Bloomington, Indiana-based manufacturing, distribution and field tool operations. The charges included \$79 million recorded in cost of sales and \$2 million in selling, general and administrative expenses. These charges were recorded in the Corporation's segments as follows: Otis \$21 million, Carrier \$58 million, Pratt & Whitney \$1 million and Flight Systems \$1 million. The charges included \$26 million for severance and related employee termination costs and \$55 million for facility exit and lease termination costs.

The 2003 actions are expected to result in net workforce reductions of approximately 4,200 hourly and salaried employees, the exiting of approximately 1.9 million square feet of facilities and the disposal of assets associated with the exited facilities. Approximately 60% of the total pre-tax charge will require cash payments, which will be primarily funded by cash generated from operations. The Corporation had pre-tax cash outflows of approximately \$30 million, \$31 million and \$19 million related to the 2003 programs during the first quarter, second quarter and third quarter, respectively. Savings are expected to increase over a two-year period resulting in recurring pre-tax savings of approximately \$165 million annually. As of September 30, 2004, net workforce reductions of approximately 3,900 employees have been completed and 920,000 square feet of facilities have been exited. The balance of the remaining workforce and facility related cost reduction actions are targeted for completion through early 2005. The remaining square footage to be eliminated under the 2003 actions relates to Carrier and Otis facilities. Additional restructuring and related charges of \$14 million are expected to be incurred to complete these actions through early 2005. As of September 30, 2004, approximately \$30 million of severance and related costs and \$8 million of facility exit and lease termination accruals remain.

Additional 2004 Actions

The Corporation expects to incur approximately \$50 million of additional restructuring costs in the fourth quarter of 2004 related to previously announced restructuring actions. The Corporation expects that total restructuring costs in 2004 will exceed the first quarter contract related gain and second quarter tax settlement.

The Corporation may initiate additional restructuring actions during the fourth quarter of 2004 through its continuing cost reduction efforts. No specific plans for significant new actions have been finalized at this time. The Corporation also anticipates recognizing a gain in the fourth quarter of 2004 resulting from the divestiture of a minority investment. If this gain is realized, restructuring actions are expected to be initiated approximating the amount of the gain.

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Segment Review

Revenues, operating profits and operating profit margins of the Corporation's principal segments include the results of all majority-owned subsidiaries, consistent with the management reporting of these businesses. As discussed in the Notes to the Condensed Consolidated Financial Statements, for certain of these subsidiaries, minority shareholders have rights, which overcome the presumption of control. In the Corporation's consolidated results, these subsidiaries are accounted for using the equity method of accounting. As a result of the adoption of FIN 46, certain of these subsidiaries are now consolidated. Adjustments to reconcile segment reporting for the quarters and nine-month periods ended September 30, 2004 and 2003 are included in "Eliminations and other," which also includes certain small subsidiaries.

Results for the quarters and nine months ended September 30, 2004 and 2003 are as follows:

In Millions Quarter Ended September 30,	Revenues		Operating Profits		Operating Profit Margin	
	2004	2003	2004	2003	2004	2003
Otis	\$ 2,245	\$ 1,941	\$ 409	\$ 350	18.2%	18.0%
Carrier	2,678	2,453	313	304	11.7%	12.4%
Chubb	697	416	35	20	5.0%	4.8%
Pratt & Whitney	2,106	1,859	318	281	15.1%	15.1%
Flight Systems	1,647	1,424	224	199	13.6%	14.0%
Total segment	9,373	8,093	1,299	1,154	13.9%	14.3%
Eliminations and other	(34)	(139)	(52)	(55)		
General corporate expenses	—	—	(71)	(51)		
Consolidated	\$ 9,339	\$ 7,954	\$ 1,176	\$ 1,048		

Third quarter 2004 restructuring and related charges included in consolidated operating profit totaling \$58 million are as follows: Otis - \$11 million, Carrier - \$18 million, Pratt & Whitney - \$23 million, Flight Systems - \$5 million and Eliminations and other - \$1 million.

The Corporation recorded restructuring charges of \$11 million in the third quarter of 2003, similar in nature to those noted above.

In Millions Nine Months Ended September 30,	Revenues		Operating Profits		Operating Profit Margin	
	2004	2003	2004	2003	2004	2003
Otis	\$ 6,568	\$ 5,717	\$ 1,094	\$ 1,000	16.7%	17.5%
Carrier	7,934	7,050	752	818	9.5%	11.6%
Chubb	2,108	416	102	20	4.8%	4.8%
Pratt & Whitney	6,134	5,538	846	826	13.8%	14.9%
Flight Systems	4,662	4,133	609	559	13.1%	13.5%
Total segment	27,406	22,854	3,403	3,223	12.4%	14.1%
Eliminations and other	201	(408)	191	(140)		
General corporate expenses	—	—	(205)	(165)		
Consolidated	\$ 27,607	\$ 22,446	\$ 3,389	\$ 2,918		

Restructuring and related charges for the nine months ended September 30, 2004 included in consolidated operating profit totaling \$473 million are as follows: Otis - \$117 million, Carrier - \$202

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million, Pratt & Whitney - \$97 million, Flight Systems - \$43 million and Eliminations and other - \$14 million.

In the first nine months of 2003, the Corporation recorded restructuring and related charges, similar in nature to those above, of \$44 million in connection with its continuing cost reduction efforts in both the commercial and aerospace segments.

Otis revenues increased \$304 million (16%) and \$851 million (15%) in the third quarter and first nine months of 2004, respectively, compared to the same periods of 2003, reflecting growth in all geographic regions. The third quarter and nine month increases also reflect the favorable impact of foreign currency translation (5% and 7%, respectively), the impact of acquisitions (2% in both periods) and volume growth within the business (9% and 6%, respectively).

Otis operating profits increased \$59 million (17%) and \$94 million (9%) in the third quarter and first nine months of 2004, respectively, compared to the same periods of 2003. These increases reflect profit improvement at constant currency, primarily in Europe and Asia, the favorable impact of foreign currency translation (5% and 8%, respectively), partially offset by restructuring charges of \$11 million (3%) and \$117 million (12%), respectively.

Carrier revenues increased \$225 million (9%) and \$884 million (13%) in the third quarter and first nine months of 2004, respectively, compared to the same periods of 2003. All businesses reported year over year revenue growth with North American HVAC, transport refrigeration, Asia and Europe contributing approximately 70% and 75% of the overall growth in the third quarter and first nine months of 2004, respectively. Volume growth in Asia was strong in the third quarter while growth in the North American HVAC slowed in the third quarter, due largely to cooler weather in the summer selling season. In addition, growth in the container business has slowed compared to 2003 levels. The favorable impact of foreign currency translation increased revenues by approximately 2% and 3%, respectively, in the third quarter and first nine months of 2004 compared to the same periods in 2003.

Carrier operating profits increased \$9 million (3%) and decreased \$66 million (8%) in the third quarter and first nine months of 2004, respectively, compared to the same periods of 2003. Third quarter profit improvements from higher volume and factory productivity (12%), primarily in the transport refrigeration and European businesses, were more than offset by higher commodity costs (12%) and restructuring (\$18 million or 6%). The nine-month results reflect profit improvements attributable to higher volumes in North American HVAC, transport refrigeration and European businesses (22%) offset by restructuring charges of \$202 million (25%) and higher commodity costs (9%). The favorable impact of foreign currency translation increased operating profits by approximately 3% and 4%, respectively in the third quarter and first nine months compared to the same periods in 2003.

Chubb revenues and operating profits were \$697 million and \$35 million, respectively, for the quarter ended September 30, 2004 and \$2,108 million and \$102 million, respectively, for the nine months ended September 30, 2004. Approximately 80% of the reported revenues and operating profit in the third quarter and nine months ended September 30, 2004 were contributed by fire and security services in Australia, the United Kingdom and Continental Europe.

Pratt & Whitney revenues increased \$247 million (13%) and \$596 million (11%) in the third quarter and first nine months of 2004, respectively, compared to the same periods of 2003. The third quarter and nine-month increase reflects higher commercial aerospace revenues (10% in both periods) due primarily to higher commercial aftermarket volume and higher engine shipments at Pratt & Whitney Canada. The third quarter and nine-month results also reflect relatively flat military aerospace revenues.

Pratt & Whitney operating profits increased \$37 million (13%) and \$20 million (2%) in the third quarter and first nine months of 2004, respectively, compared to the same periods of 2003. The third

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quarter and nine month increase is due primarily to higher commercial aerospace profits (26% and 30%, respectively), due primarily to higher volume at Pratt & Whitney Canada and higher volume, cost reduction and productivity in the commercial aftermarket business, partially offset by restructuring charges (8% and 12% respectively) and higher company-funded research and development spending (8% and 12%, respectively). The nine-month increase also reflects costs associated with the collaboration accounting litigation matter (5%) recorded in the first quarter of 2004.

Flight Systems revenues increased \$223 million (16%) and \$529 million (13%) in the third quarter and first nine months of 2004, respectively, compared to the same periods of 2003. The third quarter and nine-month results reflect higher original equipment sales at both Hamilton Sundstrand and Sikorsky (11% and 7%, respectively), including Comanche termination revenues. The increases are also attributable to higher Hamilton industrial revenues (3% and 2%, respectively) and higher commercial aftermarket revenues at both Hamilton Sundstrand and Sikorsky (2% and 4%, respectively).

Flight Systems operating profits increased \$25 million (13%) and \$50 million (9%) in the third quarter and first nine months of 2004, respectively, compared to the same periods of 2003. The third quarter and nine-month increases primarily reflect an increase in aftermarket profits at both Sikorsky and Hamilton Sundstrand (10% and 16%, respectively) and higher Hamilton industrial profits (3% in both periods). The nine-month increase was partially offset by restructuring charges of \$43 million (8%), primarily at Hamilton Sundstrand.

Eliminations and other revenues and operating profits were \$(34) million and \$(52) million, respectively in the third quarter of 2004 and \$201 million and \$191 million, respectively, for the first nine months of 2004. The third quarter operating profit includes estimated costs of approximately \$35 million associated with an ongoing legal matter substantially offset by the favorable resolution of an environmental matter related to an inactive operation. The revenue and operating profit for the first nine months of 2004 also reflect the one-time gain of \$250 million from the settlement with DaimlerChrysler in the first quarter of 2004 and approximately \$125 million of pretax interest income associated with the second quarter 2004 settlement of claims and other disputed items related to the 1986 to 1993 U.S. Federal tax audits.

LIQUIDITY AND FINANCIAL CONDITION

Management assesses the Corporation's liquidity in terms of its ability to generate cash to fund its operating, investing and financing activities. Significant factors affecting the management of liquidity are cash flows generated from operating activities, capital expenditures, customer financing requirements, investments in businesses, dividends, Common Stock repurchases, pension funding, adequacy of available bank lines of credit and the ability to attract long-term capital with satisfactory terms.

In Millions	September 30, 2004	December 31, 2003	September 30, 2003
Cash and cash equivalents	\$ 2,340	\$ 1,623	\$ 1,421
Total debt	5,059	5,301	5,456
Net debt (total debt less cash)	2,719	3,678	4,035
Shareowners' equity	13,038	11,707	10,119
Total capitalization (debt plus equity)	18,097	17,008	15,575
Net capitalization (debt plus equity less cash)	15,757	15,385	14,154
Debt to total capitalization	28%	31%	35%
Net debt to net capitalization	17%	24%	29%

Net cash flows provided by operating activities increased \$764 million in the first nine months of 2004 compared to the corresponding period in 2003, due primarily to improved operating performance in the first nine months of 2004 compared to the same period in 2003, a \$250 million payment from the

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settlement with DaimlerChrysler in the first quarter of 2004 and \$153 million lower total global pension contributions in 2004.

Cash used in investing activities decreased \$786 million in the first nine months of 2004 compared with the same period of 2003, primarily reflecting approximately \$900 million of cash spending for the Chubb acquisition in July 2003 and lower customer financing funding, partially offset by higher capital expenditures in 2004. Cash spending for investments in businesses for the first nine months of 2004 was \$341 million, including \$132 million in the third quarter, primarily for acquisitions at Carrier, Chubb, Sikorsky and Otis. Capital expenditures for the full year 2004 are expected to increase and approximate 90% of current year depreciation levels.

On October 1, 2004, Carrier completed the acquisition of Linde AG's Refrigeration division ("Linde") for approximately 325 million euros (\$390 million), including estimated debt upon closing. Linde, a commercial refrigeration business headquartered in Germany, has annual sales of approximately \$1 billion. Its operations include manufacturing facilities in Europe, Asia and South America. The final purchase price of Linde is subject to many factors, including finalization of the valuation of certain assets and liabilities, and integration investments necessary to leverage scale across complementary refrigeration product platforms and geographies. These investments may also require considerations regarding the level of vertical integration and focusing of the business operations.

The Corporation expects total investments in businesses for the full year 2004 to approximate \$1 billion, including debt assumed. However, actual acquisition spending may vary depending upon the timing and availability of appropriate acquisition opportunities.

On October 21, 2004, the Corporation announced that it had received U.S. antitrust clearance to acquire up to 30 percent of the shares of Kidde plc, a U.K.-based provider of fire safety and detection equipment. The Corporation also confirmed that Kidde had rejected the Corporation's proposal for a cash offer of up to 160 U.K. pence per share, subject to due diligence, for all of the shares of Kidde. The Corporation currently holds 21.875 million shares (2.6 percent) of Kidde's approximately 843.2 million outstanding shares. While the Corporation also confirmed that it is considering whether to proceed, there can be no certainty as to whether an offer will be made or the value of any offer or whether the Corporation will increase or retain its ownership of Kidde shares. Further events are subject to important uncertainties, including the ability to obtain satisfactory due diligence, the degree of interest among Kidde shareholders, changes in economic conditions and required regulatory approvals.

Customer financing activity was a net use of cash of \$94 million in the first nine months of 2004 compared with a \$223 million net use of cash in the first nine months of 2003, reflecting lower customer generated financing requirements. While the Corporation expects that 2004 customer financing activity will be a net use of funds, actual funding is subject to usage under existing customer financing commitments during the remainder of the year. The Corporation had financing and rental commitments of approximately \$1.3 billion and \$1.2 billion related to commercial aircraft at September 30, 2004 and December 31, 2003, respectively. The Corporation may also arrange for third-party investors to assume a portion of its commitments.

Net cash flows used in financing activities increased \$101 million in the first nine months of 2004 compared with the same period of 2003. The increase reflects higher share repurchases and dividend payments partially offset by higher stock option exercises and lower debt repayments, following the 2003 repayment of debt assumed in the Chubb acquisition. In September 2004, the Corporation filed a shelf registration statement with the Securities and Exchange Commission, which, together with existing registration statements, allows the Corporation to issue up to \$2 billion of additional debt and equity securities.

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The Corporation repurchased \$688 million of Common Stock, representing approximately 7.8 million shares, in the first nine months of 2004 under previously announced share repurchase programs. In October 2002, the Corporation announced that the Board of Directors authorized the repurchase of up to 30 million shares. The authorization replaced the previous share repurchase authority. At September 30, 2004 approximately 11.7 million shares remain available for repurchase under the authorized program. The Corporation expects total share repurchases in 2004 to be at least \$900 million; however, total repurchases may vary depending upon the level of other investing activities. The share repurchase program continues to be a use of the Corporation's cash flows and is expected to offset the dilutive effect of the issuance of stock and options under stock-based employee benefit programs.

The funded status of the Corporation's pension plans is dependent upon many factors, including returns on invested assets and the level of market interest rates. The Corporation can contribute cash to its plans at its discretion and made \$559 million of voluntary cash contributions to its global pension plans during the first nine months of 2004. The Corporation expects total voluntary contributions to its global pension plans in 2004 to be at least \$700 million.

The Corporation manages its worldwide cash requirements considering available funds among the many subsidiaries through which it conducts its business and the cost effectiveness with which those funds can be accessed. The repatriation of cash balances from certain of the Corporation's subsidiaries could have adverse tax consequences; however, those balances are generally available without legal restrictions to fund ordinary business operations. The Corporation has and will continue to transfer cash from those subsidiaries to the parent and to other international subsidiaries when it is cost effective to do so.

Management believes that its existing cash position and other available sources of liquidity are sufficient to meet current and anticipated requirements for the foreseeable future. Although variations in acquisition spending could cause changes in debt-to-capital levels, management anticipates that the year-end 2004 debt-to-capital level will be slightly lower than the year-end 2003 level.

Off-Balance Sheet Arrangements and Contractual Obligations

In its 2003 Form 10-K, the Corporation disclosed its off-balance sheet arrangements and contractual obligations in compliance with the Securities and Exchange Commission's final ruling on the "Disclosure in Management's Discussion and Analysis about Off-Balance Sheet Arrangements and Aggregate Contractual Obligations." As discussed in the Notes to the Condensed Consolidated Financial Statements, in the first quarter of 2004, the Corporation entered into a new guarantee related to a Sikorsky-Lockheed joint venture. There have been no other material changes to off-balance sheet arrangements or contractual obligations outside the ordinary course of business since December 31, 2003.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no significant change in the Corporation's exposure to market risk during the first nine months of 2004. For discussion of the Corporation's exposure to market risk, refer to Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," contained in the Corporation's Annual Report incorporated by reference in Form 10-K for the calendar year 2003.

Item 4. Controls and Procedures

As of the end of the quarter ended September 30, 2004, management, including the Corporation's Chief Executive Officer and principal financial officers, has evaluated the effectiveness of the design and operation of the Corporation's disclosure controls and procedures. Based upon that evaluation, and as of the end of the quarter for which this report is made, the Chief Executive Officer and principal financial officers concluded that the disclosure controls and procedures were effective, in all material

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respects, to ensure that information required to be disclosed in the reports the Corporation files and submits under the Exchange Act is recorded, processed, summarized and reported as and when required.

There has been no change in the Corporation's internal control over financial reporting during the Corporation's quarter ended September 30, 2004 that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

During the first nine months of 2004, the Corporation invested \$341 million in the acquisition of businesses. As part of its ongoing integration activities, the Corporation is continuing to incorporate its controls and procedures into these recently acquired businesses.

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CAUTIONARY NOTE CONCERNING FACTORS THAT MAY AFFECT FUTURE RESULTS

This report on Form 10-Q contains statements which, to the extent they are not statements of historical or present fact, constitute “forward-looking statements” under the securities laws. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These forward-looking statements are intended to provide management’s current expectations or plans for the future operating and financial performance of the Corporation, based on assumptions currently believed to be valid. Forward-looking statements can be identified by the use of words such as “believe,” “expect,” “plans,” “strategy,” “prospects,” “estimate,” “project,” “target,” “anticipate” and other words of similar meaning in connection with a discussion of future operating or financial performance. These include, among others, statements relating to:

- Future earnings and other measures of financial performance
- Future cash flow and uses of cash
- The effect of economic downturns or growth in particular regions
- The effect of changes in the level of activity in particular industries or markets
- The scope, nature or impact of acquisition activity and integration into the Corporation’s businesses
- Product developments and new business opportunities
- Restructuring costs and savings
- The outcome of contingencies
- Future repurchases of Common Stock
- Future levels of indebtedness and capital spending
- Pension plan assumptions and future contributions.

All forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. This Quarterly Report on Form 10-Q includes important information as to risk factors in the “Notes to Condensed Consolidated Financial Statements” under the heading “Contingent Liabilities” and in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under the headings “Business Environment,” “Critical Accounting Estimates,” “Results of Continuing Operations,” and “Liquidity and Financial Condition.” The Corporation’s Annual Report on Form 10-K for the calendar year 2003 also includes important information as to risk factors in the “Business” section under the headings “General,” “Description of Business by Segment” and “Other Matters Relating to the Corporation’s Business as a Whole” and in the “Legal Proceedings” section. Additional important information as to risk factors is included in the Corporation’s 2003 Annual Report to Shareowners in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under the headings “Business Environment,” “Critical Accounting Estimates,” “Environmental Matters” and “Restructuring and Other Costs.” For additional information identifying factors that may cause actual results to vary materially from those stated in the forward-looking statements, see the Corporation’s reports on Forms 10-Q and 8-K filed with the Securities and Exchange Commission from time to time.

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Part II – Other Information

Item 1. Legal Proceedings

As previously disclosed, the European Commission’s competition directorate (the “Commission”) conducted inspections earlier this year at offices of the Corporation’s Otis subsidiary in Berlin, Brussels, Luxembourg and Paris. The inspections relate to the Commission’s ongoing investigation of possible unlawful collusive arrangements involving the elevator and escalator industry in Europe. The Corporation is cooperating fully with the Commission’s investigation. Based on the results of its own internal investigation, the Corporation believes that some Otis employees in limited European locations engaged in activities at a local level in violation of Otis and Corporation policies, and may have violated applicable competition law. It is still too early in the Commission’s investigation for the Corporation to reasonably estimate the range of civil fines to which it would likely be subject. The aggregate amount of such fines, if ultimately imposed, could be material to the Corporation’s operating results for the period in which the liability would be recognized or cash flows for the period in which the fines would be paid. The Corporation does not believe that any such fines would have a material adverse effect on the Corporation’s financial condition, or that the resolution of this matter would have a material adverse effect on Otis’ competitive position.

Since the Commission’s investigation became public and the Corporation announced the preliminary results of its internal investigation, class action lawsuits have been filed in various federal district courts in the United States naming the Corporation, Otis and others as defendants and alleging a worldwide agreement among elevator and escalator manufacturers to fix prices in violation of the Sherman Act. The plaintiffs purport to represent injured parties worldwide that have allegedly purchased elevators, escalators, or elevator and escalator repair services from the Corporation, Otis, and other defendants. These lawsuits will likely be consolidated through the Multi-District Litigation procedures available in the United States. The lawsuits do not specify the amount of damages claimed. The Corporation believes that these lawsuits are the result of press reports about the Commission’s investigation and that they are devoid of merit. The Corporation will defend them vigorously.

As previously reported, a qui tam relator filed a complaint in July 1997 against the Corporation and its subsidiary, Norden Systems, Inc., in the U.S. District Court in Connecticut (U.S. ex rel. Drake v. Norden Systems, Inc. and UTC, No. 394CV00963) alleging that the Corporation and Norden are liable under the civil False Claims Act for violating U.S. Government rules on accounting for fixed assets. The qui tam relator claimed unspecified damages and penalties. The Government declined to intervene. In February 2003, the District Court granted the Corporation’s motion to dismiss the case for lack of prosecution and the relator appealed. In July 2004, the U.S. Court of Appeals for the Second Circuit affirmed the dismissal of the claims against the Corporation, but remanded certain of the claims against Norden back to the District Court for further proceedings. The civil False Claims Act provides for treble damages and penalties of up to \$10,000 per false claim submitted to the Government. The number of false claims, if any, implicated by the remaining claims cannot currently be ascertained; however, if determined adversely to Norden, the number could result in significant damages and penalties, which the Corporation might be required to pay. The Corporation believes the claims against Norden are without merit, and intends to continue to defend this matter vigorously.

Carrier Corporation has reached an agreement in principle with the U.S. Environmental Protection Agency (“EPA”) to resolve its current liability at the Puente Valley Operable Unit Superfund Site in California. Under the proposed agreement, Carrier would pay approximately \$125,000 and undertake an environmental project for approximately \$500,000, in settlement of claims for civil penalties related to alleged noncompliance with an administrative order. The

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Corporation expects the proposed agreement with the EPA to be finalized in a consent decree subject to approval by the U.S. District Court for the Central District of California, which is expected in the first half of 2005. Management believes that the resolution of this matter will not have a material adverse effect upon the Corporation's competitive position, financial position or results of operations.

Except as noted above, there have been no material developments in legal proceedings. For a description of previously reported legal proceedings, refer to Part I, Item 3, "Legal Proceedings", of the Corporation's Annual Report on Form 10-K for 2003 and Part II, Item 1, "Legal Proceedings", of the Corporation's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2004 and June 30, 2004.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

2004	Total Number of Shares Purchased (000's)	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program (000's)	Maximum Number of Shares that may yet be Purchased Under the Program (000's)
July 1 – July 31	93	\$ 75.21	0	13,916
August 1 – August 31	901	90.17	799	13,117
September 1 – September 30	1,527	92.88	1,394	11,723
Total	2,521	\$ 93.49	2,193	11,723

In October 2002, the Corporation announced that the Board of Directors authorized the repurchase of up to 30 million shares of the Corporation's Common Stock. Shares may be purchased on the open market, in privately negotiated transactions, or both. The Corporation may also repurchase shares outside of the program in connection with stock swap exercises of employee stock options. Approximately 328 thousand shares were repurchased in non-cash stock swap transactions during the quarter.

Item 6. Exhibits

- (10.1) Restricted Stock Award Schedule of Terms and Form of Award relating to the United Technologies Corporation Long Term Incentive Plan (previously filed as Exhibit 10.11 to the Corporation's Annual Report on Form 10-K for fiscal year ended December 31, 1989, as amended by Amendment No. 1 filed as Exhibit 10.6 to the Corporation's Annual Report on Form 10-K for fiscal year ended December 31, 1995 and Amendment No. 2 filed as Exhibit 10.6 to the Corporation's Annual Report on Form 10-K for fiscal year ended December 31, 2003).*
- (10.2) Nonqualified Stock Option Award Schedule of Terms and Form of Award relating to the United Technologies Corporation Long-Term Incentive Plan (previously filed as Exhibit 10.11 to the Corporation's Annual Report on Form 10-K for fiscal year ended December 31, 1989, as amended by Amendment No. 1 filed as Exhibit 10.6 to the Corporation's Annual Report on Form 10-K for fiscal year ended December 31, 1995 and Amendment No. 2 filed as Exhibit 10.6 to the Corporation's Annual Report on Form 10-K for fiscal year ended December 31, 2003).*
- (10.3) Restricted Stock Unit Award relating to the United Technologies Corporation Directors' Restricted Stock/Unit Program (previously filed as Exhibit 10(xiii) to the Corporation's Annual Report on Form 10-K for fiscal year ended December 31, 1992). *

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- (10.4) Form of Award relating to the United Technologies Corporation Nonemployee Director Stock Option Plan (previously filed as Exhibit 10.17 to the Corporation's Annual Report on Form 10-K for fiscal year ended December 31, 1995, as amended by Amendment 1 thereto (previously filed as Exhibit 10(iii)(A)(2) to the Corporation's Report on Form 10-Q for quarterly period ended June 30, 2000), Amendment 2 thereto (previously filed as Exhibit 10(iii)(A)(1) to the Corporation's Report on Form 10-Q for quarterly period ended June 30, 2001), Amendment 3 thereto (previously filed as Exhibit 10.17 to the Corporation's Annual Report on Form 10-K for fiscal year ending December 31, 2001), Amendment 4 thereto (previously filed as Exhibit 10.12 to the Corporation's Annual Report on Form 10-K for fiscal year ending December 31, 2002) and Amendment 5 thereto (previously filed as Exhibit 10.12 to the Corporation's Annual Report on Form 10-K for fiscal year ending December 31, 2003). *
- (10.5) Recognition Stock Option Program Prospectus and Statement of Award relating to the United Technologies Corporation Employee Stock Option Plan (previously filed as Exhibit 10.13 to the Corporation's Annual Report on Form 10-K for fiscal year ended December 31, 2002, as amended by Amendment 1, filed as Exhibit 10.13 to the Corporation's Annual Report on Form 10-K for fiscal year ended December 31, 2003).*
- (10.6) Continuous Improvement Incentive Program Non-qualified Stock Option and Dividend Equivalent Award Schedule of Terms and Forms of Award relating to the United Technologies Corporation Long Term Incentive Plan (previously filed as Exhibit 10.11 to the Corporation's Annual Report on Form 10-K for fiscal year ended December 31, 1989, as amended by Amendment No. 1 filed as Exhibit 10.6 to the Corporation's Annual Report on Form 10-K for fiscal year ended December 31, 1995 and Amendment No. 2 filed as Exhibit 10.6 to the Corporation's Annual Report on Form 10-K for fiscal year ended December 31, 2003).*
- (10.7) United Technologies Corporation Executive Leadership Program, amending and restating the United Technologies Corporation Executive Disability, Income Protection and Standard Separation Agreement Plan (previously filed as Exhibit 10 (xii) to the Corporation's Annual Report on Form 10-K for fiscal year ended December 31, 1992) and the following related agreements: Executive Leadership Group Agreement, Executive Leadership Group Perquisite Allowance Account Deferral Agreement and Executive Leadership Group Retirement Agreement.*
- (10.8) Retainer Payment Election Form relating to the United Technologies Corporation Board of Directors Deferred Stock Unit Plan (previously filed as Exhibit 10.14 to the Corporation's Annual Report on Form 10-K for fiscal year ended 1995, as amended by Amendment No. 1 thereto (incorporated by reference to Exhibit 10(iii)(A)(1) to the Corporation's Report on Form 10-Q for quarterly period ended June 30, 2000)).*
- (12) Statement re: computation of ratio of earnings to fixed charges. *
- (15) Letter re: unaudited interim financial information. *
- (31) Rule 13a-14(a)/15d-14(a) Certifications. *
- (32) Section 1350 Certifications. *

*Submitted electronically herewith.

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AND SUBSIDIARIES**

EXHIBIT INDEX

- (10.1) Restricted Stock Award Schedule of Terms and Form of Award relating to the United Technologies Corporation Long Term Incentive Plan (previously filed as Exhibit 10.11 to the Corporation's Annual Report on Form 10-K for fiscal year ended December 31, 1989, as amended by Amendment No. 1 filed as Exhibit 10.6 to the Corporation's Annual Report on Form 10-K for fiscal year ended December 31, 1995 and Amendment No. 2 filed as Exhibit 10.6 to the Corporation's Annual Report on Form 10-K for fiscal year ended December 31, 2003).*
- (10.2) Nonqualified Stock Option Award Schedule of Terms and Form of Award relating to the United Technologies Corporation Long-Term Incentive Plan (previously filed as Exhibit 10.11 to the Corporation's Annual Report on Form 10-K for fiscal year ended December 31, 1989, as amended by Amendment No. 1 filed as Exhibit 10.6 to the Corporation's Annual Report on Form 10-K for fiscal year ended December 31, 1995 and Amendment No. 2 filed as Exhibit 10.6 to the Corporation's Annual Report on Form 10-K for fiscal year ended December 31, 2003).*
- (10.3) Restricted Stock Unit Award relating to the United Technologies Corporation Directors' Restricted Stock/Unit Program (previously filed as Exhibit 10(xiii) to the Corporation's Annual Report on Form 10-K for fiscal year ended December 31, 1992). *
- (10.4) Form of Award relating to the United Technologies Corporation Nonemployee Director Stock Option Plan (previously filed as Exhibit 10.17 to the Corporation's Annual Report on Form 10-K for fiscal year ended December 31, 1995, as amended by Amendment 1 thereto (previously filed as Exhibit 10(iii)(A)(2) to the Corporation's Report on Form 10-Q for quarterly period ended June 30, 2000), Amendment 2 thereto (previously filed as Exhibit 10(iii)(A)(1) to the Corporation's Report on Form 10-Q for quarterly period ended June 30, 2001), Amendment 3 thereto (previously filed as Exhibit 10.17 to the Corporation's Annual Report on Form 10-K for fiscal year ending December 31, 2001), Amendment 4 thereto (previously filed as Exhibit 10.12 to the Corporation's Annual Report on Form 10-K for fiscal year ending December 31, 2002) and Amendment 5 thereto (previously filed as Exhibit 10.12 to the Corporation's Annual Report on Form 10-K for fiscal year ending December 31, 2003). *
- (10.5) Recognition Stock Option Program Prospectus and Statement of Award relating to the United Technologies Corporation Employee Stock Option Plan (previously filed as Exhibit 10.13 to the Corporation's Annual Report on Form 10-K for fiscal year ended December 31, 2002, as amended by Amendment 1, filed as Exhibit 10.13 to the Corporation's Annual Report on Form 10-K for fiscal year ended December 31, 2003).*
- (10.6) Continuous Improvement Incentive Program Non-qualified Stock Option and Dividend Equivalent Award Schedule of Terms and Forms of Award relating to the United Technologies Corporation Long Term Incentive Plan (previously filed as Exhibit 10.11 to the Corporation's Annual Report on Form 10-K for fiscal year ended December 31, 1989, as amended by Amendment No. 1 filed as Exhibit 10.6 to the Corporation's Annual Report on Form 10-K for fiscal year ended December 31, 1995 and Amendment No. 2 filed as Exhibit 10.6 to the Corporation's Annual Report on Form 10-K for fiscal year ended December 31, 2003).*
- (10.7) United Technologies Corporation Executive Leadership Program, amending and restating the United Technologies Corporation Executive Disability, Income Protection and Standard Separation Agreement Plan (previously filed as Exhibit 10 (xii) to the Corporation's Annual Report on Form 10-K for fiscal year ended December 31, 1992) and the following related agreements: Executive Leadership Group Agreement, Executive Leadership Group Perquisite Allowance Account Deferral Agreement and Executive Leadership Group Retirement Agreement.*
- (10.8) Retainer Payment Election Form relating to the United Technologies Corporation Board of Directors Deferred Stock Unit Plan (previously filed as Exhibit 10.14 to the Corporation's Annual Report on Form 10-K for fiscal year ended 1995, as amended by Amendment No. 1 thereto (incorporated by reference to Exhibit 10(iii)(A)(1) to the Corporation's Report on Form 10-Q for quarterly period ended June 30, 2000)).*
- (12) Statement re: computation of ratio of earnings to fixed charges. *

**UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES**

(15) Letter re: unaudited interim financial information. *

(31) Rule 13a-14(a)/15d-14(a) Certifications. *

(32) Section 1350 Certifications. *

* Submitted electronically herewith.

United Technologies Corporation Long Term Incentive Plan

**Restricted
Stock
Award**

*Schedule
of Terms*

United Technologies

RESTRICTED STOCK AWARD

United Technologies Corporation (the “Corporation”) hereby awards certain restricted shares of United Technologies Corporation common stock, subject to the terms set forth herein and the United Technologies Corporation Long Term Incentive Plan (the “LTI Plan”). The recipient of the Award (the “Recipient”), the number of shares awarded, the end of the restricted holding period (the “Vesting Date”) and/or the date performance objectives relative to the Award must be achieved (the “Vesting Achievement Date”) are set forth in the Statement of Award issued to the Recipient (the “Statement of Award”). This Award will become effective upon the Recipient’s signing and returning the appropriate portion of the Statement of Award to the Program Administrator—Stock Options.

RESTRICTION ON TRANSFERABILITY

The certificate for the restricted shares of common stock of the Corporation will set forth a restriction prohibiting the Recipient, as registered owner of the shares, from assigning, selling or otherwise transferring any interest in the shares (the “Restriction”). The Restriction will be removed on either the “Vesting Date” or the “Vesting Achievement Date” (as such terms are defined below), whichever is applicable, unless the restricted shares are forfeited earlier, as provided herein.

VESTING

The Recipient will be entitled to sell or otherwise dispose of the shares at any time on or after the Vesting Date with respect to Awards contingent upon continued employment for a specified period of time following the Date of the Award, and/or, with respect to Awards contingent upon achievement of specified performance objectives by a certain time, on or after the Vesting Achievement Date. Certain Awards may provide both a Vesting Date and the possibility of accelerated vesting if specified performance objectives are achieved prior to such Vesting Date. In the alternative, vesting may be solely contingent upon achievement of performance objectives within a specified time period. If the Recipient’s employment with the Corporation is terminated prior to the Vesting Date or Vesting Achievement Date (as applicable) or if performance objectives are not satisfied by the Vesting Achievement Date, the Recipient will forfeit the shares and will receive no value for such shares, except as provided for under the caption “TERMINATION OF EMPLOYMENT” below.

SHAREHOLDER RIGHTS

During the period of time that the Restriction remains in effect, the Recipient shall be the record owner of the shares represented by a Restricted Stock Award and shall, unless forfeited prior to the Vesting Date or Vesting Achievement Date, be entitled to all rights of ownership with respect to the shares, including, without limitation, the right to vote the shares and to receive any dividends therein except that the Recipient will not have the right to sell, transfer encumber, pledge or otherwise convey any interest in the shares.

TERMINATION OF EMPLOYMENT

In the event that the Recipient terminates employment prior to the Vesting Date or Vesting Achievement Date, the Recipient’s rights in the Restricted Stock Award shall be forfeited immediately unless the Committee, in its sole discretion, acts to vest a Recipient in all, or a portion of a Restricted Stock Award.

NONASSIGNABILITY

During the period that the Restriction is in effect no assignment or transfer of any interest of the Recipient of any of the rights represented by the Award, whether voluntary or involuntary, by operation or law or otherwise, shall be permitted except by will or the laws of descent and distribution.

ADJUSTMENTS

If the Corporation effects a subdivision or consolidation of shares of common stock or other capital readjustment, the payment of a stock dividend, or other increase or reduction of the number of shares of outstanding common stock without receiving consideration therefore in money, services or property, the number of shares of common stock represented by Restricted Stock Award shall be adjusted in the same manner and to the same extent as all other shares of common stock of the Corporation.

CHANGE OF CONTROL

In the event of a change of control or restructuring of the Corporation, the Committee may, in its discretion, recommend that the Board of Directors take certain actions with respect to outstanding Awards to assure fair and equitable treatment of LTI Plan Participants. Such actions may include: acceleration of the Vesting Date; offering to purchase an outstanding Award from the holder for its equivalent cash value (as determined by the Committee); or providing for other adjustments or modifications to outstanding Awards as the Committee may deem appropriate.

For purposes of the Plan, a “change of control” means the acquisition of 20% of the Corporation’s outstanding voting shares by a person or group (as defined in Section 13(d)(3) of the Securities Exchange Act of 1934) of which such person is a member or a change in the majority of the Board of Directors such that, within any consecutive two-year period, the members of the new majority are not approved by two-thirds of the members incumbent at the beginning of such two-year period. Members approved after such date by two-thirds of such incumbent directors shall be deemed to be incumbent as of the beginning of such two-year period for purposes of this computation. A merger or consolidation of the Corporation with another company where the Corporation is not the surviving company, a sale of substantially all of the assets of the Corporation, a dissolution or liquidation of the Corporation or other event or transaction having similar effect also constitutes a “change of control” for purposes of the Plan.

AWARDS NOT TO AFFECT OR BE AFFECTED BY CERTAIN TRANSACTIONS

Restricted Stock Awards shall not affect in any way the right or power of the Corporation or its shareholders to make or authorize (a) any or all adjustments, recapitalizations, reorganizations or other changes in the Corporation’s capital structure or its business, (b) any merger or consolidation of the Corporation, (c) any issue of bonds, debentures, preferred or prior preference stocks holding any priority or preference to, or otherwise affecting the common stock of the Corporation or the rights of holders of such common stock, (d) the dissolution or liquidation of the Corporation, (e) any sale or transfer of all or any part of its assets or business, or (f) any other corporate act or proceeding.

Except as otherwise expressly provided in this Schedule of Terms, the issue by the Corporation of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property, or for labor or services, either upon direct sale or upon the exercise of rights or warrants to subscribe therefore, or upon conversion of shares or obligations of the Corporation convertible into such shares or other securities, shall not affect and no adjustment by reason thereof shall be made with respect to the number of outstanding shares subject to an Award hereunder.

NOTICES

Every notice or other communication relating to the LTI Plan, any Restricted Stock Award or this Schedule of Terms shall be in writing, and shall be mailed to or delivered to the party for whom it is intended at such address as may from time to time be designated by such party. Unless and until some other address has been so designated, all notices by the Recipient to the Corporation shall be mailed to or delivered to the Corporation at its office at United Technologies Building, MS507, Hartford, CT 06101, Attention: Program Administrator – Stock Options, and all notices by the Corporation to the Recipient shall be given to the Recipient personally or be mailed to the Recipient at his address as shown on the records of the Corporation.

ADMINISTRATION

Restricted Stock Awards granted pursuant to the LTI Plan shall be interpreted and administered by the Committee on Compensation and Executive Development of the Corporation’s Board of Directors (the “Committee”). The Committee shall establish such procedures as it deems necessary and appropriate to administer Restricted Stock Awards in a manner that is consistent with the terms of the LTI Plan.

Pursuant to the terms of the LTI Plan, the Committee may delegate to employees of the Corporation its authority and responsibility to grant, administer and interpret Restricted Stock Awards. Subject to certain limitations, the Committee has delegated the authority to grant Restricted Stock Awards to the Chief Executive Officer, and has further delegated the authority to administer and interpret such awards to the Senior Vice President, Human Resources and Organization, and to such subordinates as he may further delegate, except that Restricted Stock Awards to employees of the Corporation who are either reporting persons under Section 16 of the Securities Exchange Act of 1934 (“Insiders”) or members of the Corporation’s Executive Leadership Group will be granted, administered, and interpreted exclusively by the Committee.

PAYMENT BY RECIPIENT

Except as provided under the caption “TAXES/WITHHOLDING” below, no payment shall be required of the Recipient at the time he receives a Restricted Stock Award or at the time the Restriction is removed.

TAXES/WITHHOLDING

The Recipient shall be responsible for any income or other tax liability attributable to any Restricted Stock Award (including any dividends therein). The Committee shall take such steps as are appropriate to assure compliance with applicable federal, state and local tax withholding requirements with respect to the grant of the Award or the removal of any Restriction. The Corporation shall, to the extent permitted by law, have the right either to withhold directly from any payment or delivery of shares due the Recipient or from the Recipient's regular compensation or shall require, as a condition of the removal of the Restriction, the payment by the Recipient of all federal, state and local taxes of any kind required by law to be withheld with respect to any Award.

RIGHT OF DISCHARGE RESERVED

Nothing in this or any Award made pursuant thereto shall confer upon any Recipient the right to continue in the employment or service of the Corporation or any affiliate thereof for any period of time or affect any right that the Corporation or any subsidiary or division may have to terminate the employment or service of such Recipient at any time for any reason.

NATURE OF PAYMENTS

All Awards made pursuant to the LTI Plan are in consideration of services performed for the Corporation or affiliate employing the Recipient. Any gains realized pursuant to such Awards constitute a special incentive payment to the Recipient and shall not be taken into account as compensation for purposes of any of the employee benefit plans of the Corporation or any affiliate.

INTERPRETATIONS

This Schedule of Terms and each Statement of Award are subject in all respects to the terms of the LTI Plan. In the event that any provision of this Schedule of Terms or any Statement of Award is inconsistent with the terms of the LTI Plan, the terms of the LTI Plan shall govern. Any question of interpretation or administration arising under this Schedule of Terms or any Statement of Award shall be determined by the Committee or its delegate, such determination to be final and conclusive upon all parties in interest.

GOVERNING LAW

The LTI Plan, this Schedule of Terms, and each Statement of Award shall be governed by and construed in accordance with the laws of the State of Connecticut.

The masculine pronoun, whenever used herein shall include the feminine, and words used in the singular shall include the plural unless the context clearly indicates otherwise.

RESTRICTED STOCK

Date of Grant:

Vesting Date: *

___ Vesting Achievement Date: *

(Date by which performance objectives described in attachment must be achieved)

Shares Awarded:

Value on Date of Grant

The award shown in this statement is nontransferable and is subject to the terms and conditions of the United Technologies Long Term Incentive Plan.

PLEASE SIGN AND DATE PORTION BELOW THE PERFORATION AND RETURN IT IN ENVELOPE PROVIDED

RESTRICTED STOCK

Date of Grant:

Vesting Date: *

___ Vesting Achievement Date: *

(Date by which performance objectives described in attachment must be achieved)

Shares Awarded:

Value on Date of Grant

The award shown in this statement is nontransferable and is subject to the terms and conditions of the United Technologies Long Term Incentive Plan.

Please sign this form and return it in the enclosed envelope to the:

**PROGRAM ADMINISTRATOR—STOCK OPTIONS
UNITED TECHNOLOGIES CORPORATION
UNITED TECHNOLOGIES BUILDING, MS 504
HARTFORD, CONNECTICUT 06101**

I acknowledge receipt of this Restricted Stock Award and the attached Schedule of Terms describing my Award. I accept this Award subject to such Schedule of Terms and the United Technologies Long Term Incentive Plan.

Signed _____

Date _____

* Applicable vesting standard is marked. If both lines are marked with an "X", vesting occurs on earlier of vesting date or achievement of performance objectives.

United Technologies Corporation

**Non- Qualified
Stock Option
Award**

Schedule of Terms

Non-Qualified Stock Option

United Technologies Corporation (the "Corporation") hereby awards to the recipient Non-Qualified Stock Options (an "Award") pursuant to the United Technologies Corporation Long Term Incentive Plan (the "LTI Plan"). An Award is subject to this Schedule of Terms and the terms and provisions of the LTI Plan.

A Non-Qualified Stock Option (an "Option") is the right to purchase, at a future date, a specific number of shares of Common Stock of the Corporation ("Common Stock") at a price equal to the closing price reported on the composite tape of the New York Stock Exchange for such shares on the date of the Option grant. The number of shares for which the Option is awarded and the Option price per share are set forth in the Statement of Non-Qualified Stock Option Award (the "Statement of Award"). The recipient must acknowledge and accept the terms and conditions of the Option Award by signing and returning the appropriate portion of the Statement of Award to the Stock Option Program Administrator.

Vesting

The Option vesting date and expiration date are each set forth in the Statement of Award. Options may be exercised any time on or after the vesting date until the earlier of:

- (i) The expiration date specified in the Statement of Award, at which time the Options and all associated rights lapse; or
- (ii) Termination of employment in which case the right to exercise vested Options shall be for a specified time period following the date of termination, as described in "Termination of Employment".

Exercise and Payment of Options

While actively employed, Options may be exercised any time on or after the vesting date through the expiration date. The Option to purchase shares will expire without value on or before the expiration date. It is the responsibility of the Award recipient, or a designated representative, to exercise Options in a timely manner. The Corporation assumes no responsibility for and will make no adjustments with respect to Options that expire.

Options may be exercised through one of two procedures set forth below. For stock option exercises processed utilizing the procedures described in (i) below, the value of Common Stock will be the closing price reported on the composite tape of the New York Stock Exchange on the date of exercise. For stock option exercises processed utilizing the procedures described in (ii) below, the value of Common Stock will be the actual transaction price.

- (i) Award recipients may exercise Options by completing and sending the UTC Exercise Form to the Stock Option Program Administrator, identifying the number of Options to be exercised and paying the required Option price in U.S. dollars by check or bank draft or by tendering shares of Common Stock (utilizing procedures authorized by the Program Administrator for tendering shares). The date of exercise will be the date of postmark or delivery of a completed form (with an original signature) and check for the cost of exercise to the Program Administrator; or

An Award recipient may follow the above procedure by using a broker or other authorized representative. As above, a completed UTC Exercise Form (with an original signature) must be submitted with the check for the cost of exercise to the Program Administrator.

- (ii) Alternatively, Award recipients may utilize the "cashless" exercise method where neither cash nor shares are tendered by the Award recipients in payment of the exercise price. To facilitate the cashless exercise of Options, an Award recipient must establish an account with a designated broker at one of the security brokerage firms approved by the Corporation.

Under the cashless procedure, an Award recipient notifies the designated broker of the Award date and number of Options to be exercised. The broker provides the Award recipient with the exercise form and notifies the Program Administrator. The designated broker will sell shares of Common Stock sufficient to cover the exercise price of the Options to be exercised plus required tax withholding amounts and wire transfer the sales proceeds to the Corporation. The Corporation will then deliver to the designated broker the number of shares equal to the number of Options exercised. The broker retains the number of shares sold to cover the exercise price and tax withholding. The net shares remaining will, at the Award recipient's election, either be placed in the Award recipient's account with the brokerage firm or sold on the open market with net cash proceeds delivered to the Award recipient by the designated broker.

In a cashless exercise, reported taxable income will be based on the actual transaction price as reported by the broker to the Program Administrator, rather than the closing price reported on the composite tape of the New York Stock Exchange on the date of exercise.

The cashless exercise method may not be used if the Corporation determines in its sole discretion that the transaction may constitute a prohibited loan to the executive or otherwise violates regulatory requirements or may cause special reporting requirements.

Termination of Employment

If an Award recipient terminates employment for any reason other than death, disability, or retirement, unvested Options will be canceled as of the termination date. Vested Options may be exercised for a period of 90 calendar days following the termination date (but not beyond the expiration date of the Option).

Retirement eligibility includes:

- (i) Attainment of age 65 as of the employment termination date; or
- (ii) Attainment of at least age 55 with 10 or more years of service as of the employment termination date.

Upon retirement, the Award recipient may exercise vested Options (i.e. those held for at least three years while continuously employed) for three years following the date of retirement or until the expiration of the Option, whichever is earlier. Unvested Options that have been held for at least one year prior to the date of retirement will become exercisable as of the retirement date and the Award recipient will then have a three year period following the retirement date to exercise these Options (but in no event beyond the Option expiration date).

For Options granted after February 22, 1999: If the Award recipient is eligible for retirement per above and the Corporation consents to the retirement, the Award recipient may exercise vested Options for five years following the date of retirement or until the expiration of the Option, whichever is earlier. Unvested Options that have been held for at least one year prior to the retirement date will become exercisable as of the retirement date and the Award recipient will then have a five year period following the retirement date to exercise these Options (but in no event beyond the Option expiration date).

For Options granted after June 11, 2003: If the Award recipient is eligible for retirement per above and the Corporation consents to the retirement, the Award recipient may exercise vested Options until the expiration of the Option. Unvested Options that have been held for at least one year prior to the retirement date will become exercisable as of the retirement date and the Award recipient will have the full remaining term of the Option to exercise these Options.

For Options granted after February 22, 1999 and after June 11, 2003, the Corporation's consent will be at the sole discretion of the Corporation based on its ability to effectively transition the Award recipient's responsibilities as of the retirement date and such other factors as it may deem appropriate.

In all cases, options held for less than one year prior to the retirement date will be canceled without value.

Rule of 65: The Award recipient meets the "Rule of 65" if the Award recipient terminates employment on or after age 50, but before age 55, and the sum of the Award recipient's age and years of service add up to 65 or more as of the employment termination date. The Award recipient who meets the "Rule of 65" may exercise vested Options for three years following the employment termination date or until the expiration of the Option, whichever is earlier. Unvested Options that have been held for at least one year prior to the employment termination date will vest as of the termination date and the Award recipient will have a three year period following the termination date to exercise these Options (or until the expiration of the Options, if earlier).

Service used to determine eligibility for retirement or the "Rule of 65" will be based on continuous service recognized under the Award recipient's UTC retirement plan.

In the event of permanent and total disability, or transfer to an Affiliate, an Award recipient shall not be considered to have terminated employment for purposes of an Option.

In the event of the death of an Award recipient, the legal representative of the estate of the Award recipient may exercise all Options outstanding as of the date of death, whether or not vested, for a period of one year following the date of death, regardless of the expiration date of the Option.

If a former employee is rehired before the end of the 90 day period immediately following the date of termination, unexercised vested Options and unvested Options that were cancelled because of the termination of employment will be reinstated. Options that received accelerated vesting at termination will be subject to the original vesting schedule upon re-hire. If a terminated employee is rehired after the 90 day period immediately following the date of termination, the employee will be treated as a new employee and cancelled Options will not be reinstated.

Nonassignability

Unless otherwise prescribed by the Committee, no assignment or transfer of any right or interest of an Award recipient in any Option, whether voluntary or involuntary, by operation of law or otherwise, shall be permitted except by will or the laws of descent and distribution. Any attempt to assign such rights or interest shall be void and without force or effect.

Adjustments

If the Corporation effects a subdivision or consolidation of shares of Common Stock or other capital adjustment, the number of shares of Common Stock then remaining subject to an Award shall be adjusted in the same manner and to the same extent as all other shares of Common Stock of the Corporation. In the event of material changes in the capital structure of the Corporation resulting from: the payment of a special dividend (other than regular quarterly dividends) or other distributions to shareowners without receiving consideration therefore; the spin-off of a subsidiary; the sale of a substantial portion of the Corporation's assets; in the event of a merger or consolidation in which the Corporation is not the surviving entity; or other extraordinary non-recurring events affecting the Corporation's capital structure and the value of Common Stock, equitable adjustments shall be made in the terms of outstanding awards, including the number of shares of Common Stock subject to an Option, as the Committee, in its sole discretion, determines are necessary or appropriate to prevent the dilution or enlargement of the rights of Award recipients.

Change of Control

In the event of a change of control, an event, which if consummated, would constitute a change of control, or other significant changes pertaining to the ownership of the Corporation or a restructuring of the Corporation, the Committee may, in its discretion, recommend that the Board of Directors take certain actions with respect to outstanding Awards to assure fair and equitable treatment of Award recipients. Such actions may include: acceleration of the Option Vesting Date; offering to purchase an outstanding Award from the Award recipients for its equivalent cash value (as determined by the Committee); or providing for other adjustments or modifications to outstanding Awards as the Committee may deem appropriate.

For purposes of the Plan, a “change of control” means the acquisition of 20% of the Corporation’s outstanding voting shares by a person or group (as defined in Section 13 (d) (3) of the Securities Exchange Act of 1934) of which such person is a member, or a change in the majority of the Board of Directors such that, within any consecutive two-year period, the members of the new majority are not approved by two-thirds of the members incumbent at the beginning of such two-year period. Members approved after such date by two-thirds of such incumbents as of the beginning of such two-year period shall be deemed incumbents as of the beginning of such two-year period for purposes of this computation. A merger or consolidation of the Corporation with another company where the Corporation is not the surviving company, a sale of substantially all of the assets of the Corporation, a dissolution or liquidation of the Corporation or other event or transaction having similar effect also constitutes a “change of control” for purposes of the LTI Plan.

Awards Not to Affect or Be Affected by Certain Transactions

Non-Qualified Stock Option Awards shall not in any way affect the right or power of the Corporation or its shareowners to make or authorize: (a) any or all adjustments, recapitalizations, reorganizations or other changes in the Corporation’s capital structure or its business; (b) any merger or consolidation of the Corporation; (c) any issue of bonds, debentures, preferred or prior preference stocks holding any priority or preferred to, or otherwise affecting in any respect the Common Stock of the Corporation or the rights of the holders of such Common Stock; (d) the dissolution or liquidation of the Corporation; (e) any sale or transfer of all or any part of its assets or business; or (f) any other corporate act or proceeding.

Except as otherwise expressly provided in this Schedule of Terms, the issue by the Corporation of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property, or for labor or services, either upon direct sale or upon the exercise of rights or warrants to subscribe thereto, or upon conversion of shares or obligations of the Corporation convertible into such shares or other securities, shall not affect and no adjustment by reason thereof shall be made with respect to the Option price or the number of outstanding shares subject to an Option Award.

Notices

Every notice or other communication relating to the Award and this Schedule of Terms shall be in writing, via hard copy or electronic transmissions, and shall be delivered to the party for whom it is intended at such address as may from time to time be designated by such party. Unless and until some other address has been so designated, all notices by the Award recipients to the Corporation shall be mailed to or delivered to the Corporation at its office at United Technologies Building, MS 504, Hartford, Connecticut 067101, Attention: Stock Option Program Administrator or emailed to stockoptionplans@utc.com. All notices by the Corporation to the Award recipient shall be given electronically, personally, or by mail to the Award recipient at his or her home, office or e-mail address as shown on the records of the Corporation.

Administration

Option Awards shall be interpreted and administered by the Committee. The Committee shall establish such procedures as it deems necessary and appropriate to administer Awards in a manner that is consistent with the objectives of the LTI Plan. Pursuant to the terms of the LTI Plan, the Committee may delegate authority and responsibility to grant, administer and interpret Option Awards. The Committee has delegated the authority to grant Options to the Chief Executive Officer and has further delegated the authority to administer and interpret Option Awards to the Senior Vice President, Human Resources and Organization, along with the authority to sub-delegate. The Committee shall grant, administer and interpret exclusively Options awarded to employees of the Corporation that are either reporting persons under Section 16 of the Securities Exchange Act of 1934 (“Insiders”) or members of the Corporation’s Executive Leadership Group.

Taxes/Withholding

Award recipients are responsible for any income or other tax liability attributable to any Award. The Program Administrator shall take such steps as are appropriate to assure compliance with applicable federal, state and local tax withholding requirements. The Corporation shall, to the extent required by law have the right to deduct directly from any payment or delivery of shares due to an Award recipient or from an Award recipient’s regular compensation, all federal, state and local taxes of any kind required by law to be withheld with respect to the exercise of any Option. Award recipients not based in the United States and foreign nationals who are not permanent residents of the United States must pay the appropriate taxes as required by any country where they are subject to tax.

Right of Discharge Reserved

Nothing in the LTI Plan or in any Option Award shall confer upon any Award recipient the right to continue in the employment or service of the Corporation or any affiliate thereof for any period of time or affect any right that the Corporation or any subsidiary or division may have to terminate the employment or service of such Award recipient at any time for any reason.

Right of Committee to Revoke Awards

Notwithstanding any other provision herein, the Committee reserves the right, prior to a Change in Control of the Corporation, to cancel any outstanding Award, whether or not vested, if the Committee determines that the Award recipient has engaged in any act or practice with respect to the affairs of the Corporation, whether or not employed by the Corporation at the time, that is materially detrimental to the Corporation, provided, however, that the Committee may not take any such action in an arbitrary or capricious manner.

Nature of Payments

All Awards made are in consideration of services performed for the Corporation or the business unit employing the Award recipient. Gains realized pursuant to such Awards constitute a special incentive payment to the Award recipient and shall not be taken into account as compensation for purposes of any of the employee benefit plans of the Corporation or any business unit.

Government Contract Compliance

The “UTC Policy Statement on Business Ethics and Conduct in Contracting with the United States Government” calls for compliance with the letter and spirit of government contracting laws and regulations. In the event of a

violation of government contracting laws or regulations, the Committee reserves the right to revoke any outstanding Award.

Interpretations

This Schedule of Terms and each Statement of Award are subject in all respects to the terms of the LTI Plan. In the event that any provision of this Schedule of Terms or any Statement of Award is inconsistent with the terms of the LTI Plan, the terms of the LTI Plan shall govern. Any question of administration or interpretation arising under the Schedule of Terms or any Statement of Award shall be determined by the Committee or its delegate, and such determination to be final and conclusive upon all parties in interest.

Amendment and Termination

The Committee reserves the right to amend, suspend or discontinue the LTI Plan at any time.

Governing Law

The LTI Plan, this Schedule of Terms and the Statement of Award shall be governed by and construed in accordance with the laws of the State of Connecticut.

United Technologies

United Technologies Corporation

United Technologies Building

Hartford, CT 06101

NONQUALIFIED STOCK OPTION AWARD

Date of Grant:

Vesting Date:

Number of Options:

Option Price:

Termination Date:

The award shown in this statement is nontransferable and is subject to the terms and conditions of the United Technologies Long Term Incentive Plan.

PLEASE SIGN AND DATE PORTION BELOW THE PERFORATION AND RETURN IT IN ENVELOPE PROVIDED

NONQUALIFIED STOCK OPTION AWARD

Date of Grant:

Vesting Date:

Number of Options:

Option Price:

Termination Date:

The award shown in this statement is nontransferable and is subject to the terms and conditions of the United Technologies Long Term Incentive Plan.

Please sign this form and return it in the enclosed envelope to the:

**PROGRAM ADMINISTRATOR—STOCK OPTIONS
UNITED TECHNOLOGIES CORPORATION
UNITED TECHNOLOGIES BUILDING, MS 504
HARTFORD, CONNECTICUT 06101**

I acknowledge receipt of this Nonqualified Stock Option Award and the attached Schedule of Terms describing my Award. I accept this Award subject to such Schedule of Terms and the United Technologies Long Term Incentive Plan.

Signed _____

Date _____

BOARD OF DIRECTORS
RESTRICTED STOCK UNIT AWARD
New Director

The Board of Directors of United Technologies Corporation has approved a program pursuant to which each Non-Employee Director of the Company will receive a non-recurring award of deferred restricted stock units having a grant date value of \$100,000, based on the closing price of UTC common stock on the date of election to the Board (the "Units"). This award is intended to promote a closer identity of interests between such Directors and shareowners generally by providing such Directors with an equity-based interest in the Company's future performance.

The Units are subject to a restriction on transferability and may not be sold, assigned, pledged or transferred while such restriction remains in effect. However, you are the owner of such Units on the records of the Company. Your Unit balance will be credited with additional Units equivalent in value to the dividend paid on the corresponding number of shares of UTC Common Stock. The dividend equivalent Units will vest immediately but will otherwise be subject to the same transfer restrictions applicable to the initial Units.

The Units will vest in increments of 20 percent per year. The effective date of the grant of your Units is (*add date*). The first 20 percent will vest on the date of UTC's next Annual Shareowner Meeting. An additional 20 percent will vest on the date of the Corporation's Annual Meeting each succeeding year while you continue on the Board. At the time you retire or resign from the Board, your vested Units will be payable in cash in a lump sum unless you make an irrevocable election at least one year prior to your retirement from the Board to have your vested Units paid in the same number of installments as your Stock Units will be paid under the UTC Board of Director's Deferred Stock Unit Plan. Any Units not vested as of such date will be forfeited without payment of any compensation to you. However, in the event of a "change of control" or a "restructuring event" as defined by the United Technologies Corporation Long Term Incentive Plan, or upon your death or your resignation from the Board due to disability, or if you retire or resign to accept full-time employment in public or charitable service, all Units that have not previously vested will immediately vest and be payable in cash. Please note, however, that the restriction on transferability continues in effect on vested Units while you remain a Director of UTC. Accordingly, by your acceptance of the Units, you agree that your vested Units will not be transferred by you prior to your retirement or resignation as a Director of UTC.

Recognition of Ordinary Income Under U.S. Tax Law

For federal income tax purposes, you will be required to include in your income the amount of any cash, or if you elect to receive shares, the then-current value of any shares of UTC Common Stock distributed or made available to you following your departure from the Board. Additional Units credited as a result of dividend payments are likewise not included in your income until they are distributed to you.

Recognition of Capital Gain/Loss Upon Disposition of UTC Stock Under U.S. Tax Law

If your Units are paid to you in shares of UTC Common Stock and you subsequently dispose of those shares, you generally will recognize capital gain or loss equal to the difference between the amount realized on the disposition and your "basis" in the shares. In general, your basis in the shares will equal the amount of the ordinary income you recognize upon your receipt of the shares. The income tax treatment of any capital gain or loss realized on the disposition of the shares will depend on how long you hold the shares before you dispose of them.

The foregoing is only a brief summary of the federal income tax consequences of the Units. You are urged to consult your tax advisor for advice regarding your individual circumstances.



NONEMPLOYEE DIRECTOR
STOCK OPTION PLAN

NONQUALIFIED STOCK OPTION AWARD

Date of Grant: _____ Vesting Date: _____ Exp. Date: _____

Number of Options: _____ Option Price: _____

«Name»

The award shown in this statement is nontransferable and is subject to the terms and conditions of the United Technologies Corporation Nonemployee Director Stock Option Plan.

I accept this Stock Option Award subject to the Terms and Conditions of the United Technologies Corporation Nonemployee Director Stock Option Plan.

Signed: _____ Date: _____

Please sign and date, retain the cream copy for your files and return the blue copy to Program Administrator, UTC, MS#504, Hartford, CT 06101.

United Technologies Corporation
Recognition Stock Options

Prospectus

This document constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.

This prospectus applies to the offer and sale of up to 4,000,000 shares of United Technologies Corporation Common Stock per year under the United Technologies Corporation Employee Stock Option Plan (the "Plan"), issuable upon the exercise of stock options awarded under the Plan.

The date of this prospectus is December 17, 2003.

Introduction

Ownership of Company stock by employees is an effective way to align employees' interests with the interests of the Company's shareowners. That is why UTC has established the Recognition Stock Option Program for key employees below the executive level. The Recognition Stock Option Program is part of the UTC Employee Stock Option Plan.

Under the Recognition Stock Option Program, outstanding employees whose decisions impact the performance of the company, and whose skilled execution of those decisions helps to add value for shareowners, can now personally benefit from the value they help create.

Under the Recognition Stock Option Program, certain key employees selected by UTC receive stock option awards that increase in value — if, and to the extent, UTC's stock price increases.

Stock options represent long-term value to the employee based upon long-term commitment to UTC and long-term improvement in UTC's business performance and stock price. This program is another way UTC identifies and recognizes the contributions of its employees.

Your supervisor's decision to award you stock options is a vote of confidence in your abilities, continued high performance, and your commitment. You now can help convert your stock option award into a valuable part of your personal financial portfolio.

Under the Recognition Stock Option Program, UTC grants stock option awards.

Each option gives you the right to purchase one share of UTC stock at a specified price — the exercise price. Once you have bought the stock, you own it and you are free to hold it or sell it.

You have the right to exercise your options to purchase shares 3 years after the award date.

This means you must remain employed at UTC for at least 3 years before you can exercise your options. If your employment is terminated before the end of the 3 year period, other than by retirement, death or disability, your options will be canceled.

The life of the option is 10 years.

While you are actively employed, you must exercise your options within 10 years from the award date. This means you have up to 7 years from the options' vesting date to exercise your options. You must exercise your options before their expiration date. Please refer to pages 6-7 for important information about the treatment of options at termination of employment.

You will receive a Statement of Award certificate.

This will show the number of options you have been awarded and the exercise price of these options. You should retain this statement for future reference.

The exercise price of each option is fixed for the life of the option.

The exercise price is equal to the closing price reported on the composite tape of the New York Stock Exchange (“NYSE”) for UTC common stock on the grant date of the options awarded to you, as shown on your Statement of Award certificate. You maintain the right to exercise your options and buy the shares at the exercise price during the life of your award.

The value of your stock option award depends on when you choose to exercise your options.

The value of your stock options will depend on the value of UTC common stock on the date you exercise your options. The value you receive — or the gain you realize upon exercising your options — will be equal to the difference between the exercise price and the sale or “market price” of UTC common stock when you exercise your options.

When you exercise your stock option award, you can receive shares of UTC stock.

You can receive one share of UTC common stock for each option by paying the exercise price. You may also receive a number of shares (or the cash equivalent) equal to the amount of your gain. The choice is up to you.

You will be taxed on the gain you realize when you exercise your options.

At the time of exercise, U.S. taxpayers must pay taxes on any gain they realize. The gain per option is the difference between the exercise price and the market price of UTC stock on the date of exercise. Please refer to Appendix 2 for additional information.

Award recipients outside the U.S. should check with their local tax advisors to determine tax treatment in their country.

HOW STOCK OPTIONS WORK



What value does a stock option have to me?

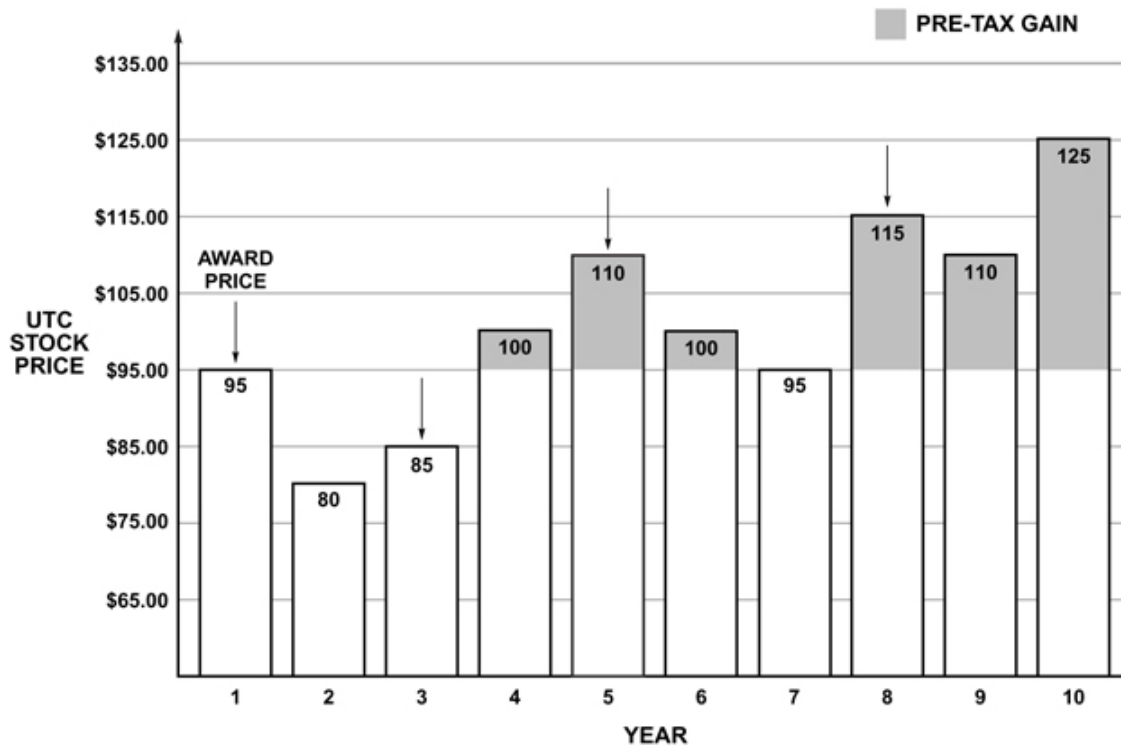
Stock options have value when the market price of UTC common stock increases above the exercise price. Options are a way to potentially realize significant financial gain based upon the long-term increases in the price of UTC stock. If the market price of UTC stock increases over time — even with interim periods of decline — your gain will increase as well.

For example, if the exercise price of your options is \$95, you will always pay \$95 per share of stock when you exercise your option. Over the next 10 years, as you monitor the stock price, you note that it fluctuates between \$80 and \$125.

You do not want to exercise your options in year 3 (stock price of \$85) after you vest in them, because you can buy shares on the open market for a lower price. However, in year 5 (stock price of \$110), you could consider exercising your options because the stock price is then greater than the exercise price of your options. By year 8 (stock price of \$115), you should start thinking about exercising your options before they expire. The options can no longer be exercised at the end of year 10. Remember, these numbers are for illustration only and are not intended as a projection of UTC's stock price.

You must decide when to exercise your options based on your view of the prospects for UTC stock and your personal financial circumstances. Is \$115 the highest price the stock will reach? The potential for future price appreciation makes watching UTC's stock price movement exciting. Please remember, however, that past performance of UTC stock is no guarantee of the future performance of UTC stock.

EXAMPLE OF VALUE



Will I receive dividends on my stock options?

No, you will not receive dividends on your options.

If, after you exercise your options, you retain your UTC shares, you will then have the right to receive dividends and vote your shares the same as other UTC common stock shareholders.

For example, if you have 100 shares of UTC common stock and the quarterly dividend is \$.35 per share, you will receive a check for \$35.00 each quarter or \$140 per year.

In the U.S. dividends are taxable income.

How do I exercise my stock options?

See inside the back cover of this booklet for more specific information on exercising stock options.

UTC has established a relationship with a limited number of stock brokers to facilitate the exercise of stock options. Upon exercise you can acquire one share for each option exercised or you can receive shares or cash equal to the gain you realize from your exercise. You can also use some of the acquired shares to pay the exercise price rather than paying the exercise price directly, in cash. This is sometimes called a “cashless exercise”.

The “cashless exercise” brokers selected by UTC offer you a choice of how to exercise your options, and neither choice requires you to pay cash. Your choices are: “Exercise and Hold” or “Exercise and Sell”. In either case, you are using some of the gain on the shares you buy at the stock option exercise price to cover the cost of buying the shares at the exercise price, brokerage fees and taxes. The broker then returns to you the remaining cash or shares.

If you hold your shares and sell them later, you can also profit from any further gain on the price of the UTC stock at the time you ultimately sell the shares. Your taxable gain (or loss) will be the difference between the market price of UTC stock on the date you exercised your options and the price you receive when you later sell such shares. Depending on when you sell your shares, you may be entitled to capital gain or loss treatment.

For example, if you choose “exercise and hold” with respect to 100 options with an exercise price of \$95.00, when UTC stock is trading at \$115.00, you can receive 100 shares from the Company at a cost of \$9,500, even though the shares are worth \$11,500, for a gain of \$2,000. Alternatively, you can receive your \$2,000 exercise gain in shares of stock. In this case you would receive 20 shares and the other 80 shares would be used to cover the cost of exercise. Finally, you may choose to receive your \$2,000 gain in cash. In either case, however, the broker will withhold the required amount of taxes from the gain by reducing either the number of shares or the amount of cash you receive.

UTC cannot advise you on when to exercise your options or if you should hold or sell your shares. You may want to seek the advice of outside tax advisors or financial planners.

When I receive a stock option award, what are the tax consequences?

In the U.S. there is no tax at the time you receive the options. You will not be taxed until you actually exercise your options, and then you are taxed — based on applicable tax rates at that time — on the difference or “spread” between the exercise price and the market price of UTC stock on the date of exercise. In the U.S., taxes due include Federal income and employment taxes (FICA and FUTA) and where applicable, state and/or local income taxes.

If you hold your shares after exercising, you will be subject to tax when you later sell the shares. You will be taxed — at ordinary or capital gains tax rates, as applicable — on the spread between the price of the shares when you exercised your options and the price when you sell. A detailed discussion of U.S. tax consequences when you exercise an option is set forth in Appendix 2.

Tax rules for stock options and exercises vary from country to country and should be reviewed with local tax advisors. Non-U.S. based participants must pay the appropriate taxes as required by the country where they are subject to tax.

Can I exercise a portion of my vested stock options?

Yes. However, you need to think about covering the taxes due and broker fees. Typical transactions involve 100 options or more.

Do I have to exercise my option awards in the order I receive them?

If you receive stock option awards in more than one year under this program, you can exercise them in whatever order you choose.

How do the options I receive affect other benefits the company provides?

Any gains realized from your stock options are not considered part of compensation for determining benefits under any UTC pension plan or any other benefit plan offered by the company. Employees outside of the U.S. should check with their Human Resources department.

What happens if I leave the company?

There are different provisions based on the circumstances associated with your leaving:

Retirement.

You are eligible for retirement:

- (i) If you are age 65 on your date of termination; or
- (ii) If you are at least age 55 with 10 or more years of service on your date of termination.

The following rule applies to your Recognition Stock Options upon your retirement:

You may exercise your vested Options (i.e. those held for at least three years while continuously employed) for three years following the date of retirement or until the expiration of the Option, whichever is earlier. Unvested Options that have been held for at least one year prior to your retirement date will vest as scheduled and you will then have the remainder of the three year period following your retirement date to exercise these Options.

For Options granted after February 22, 1999: The following rule applies if you are eligible for retirement as previously described **and** the Corporation consents to the retirement. Such consent will be at the sole discretion of the Corporation based on its ability to effectively transition your responsibilities as of the retirement date and such other factors as it may deem appropriate:

You may exercise your vested Options for five years following the date of retirement or until the expiration of the Option, whichever is earlier. Unvested Options that have been held for at least one year prior to your retirement date will become exercisable on the original scheduled vesting date and you will then have the remainder of five year period following your retirement date to exercise these Options (but in no event beyond the Option expiration date).

For Options granted after June 11, 2003: The following rule applies if you are eligible for retirement as previously described **and** the Corporation consents to the retirement. Such consent will be at the sole discretion of the Corporation based on its ability to effectively transition your responsibilities as of the retirement date and such other factors as it may deem appropriate:

You may exercise your vested Options until the expiration of the Option. Unvested Options that have been held for at least one year prior to your retirement date will become exercisable on the original scheduled vesting date and you will then have the full remaining term of the Option to exercise these Options.

Rule of 65: If you terminate employment on or after age 50, but before age 55, and the sum of your age and years of service add up to 65 or more (i.e., the “Rule of 65”) as of your employment termination date, the following rule applies:

You may exercise your vested Options for three years following your employment termination date or until the expiration of the Option, whichever is earlier. Unvested Options that have been held for at least one year prior to your employment termination date will vest as scheduled and you will then have the remainder of the three year period following your termination date to exercise these Options.

Service used to determine eligibility for retirement or the “Rule of 65” will be based on continuous service recognized under your UTC retirement plan.

In all cases, options held for less than one year as of your retirement date will be canceled without value.

General Provisions

Termination. You may exercise the options you are already vested in for up to 90 days (or until the expiration of the option, if earlier) from the date your employment with UTC is terminated, whether voluntary or involuntary, including layoff. All unvested options are canceled as of your termination date.

Disability. You will continue to be treated the same as if you were an active employee if you qualify for benefits under UTC's disability plan. This means you will continue to have time applied toward meeting the 3 year vesting requirement while disabled. You will be able to exercise your vested options while you remain disabled under UTC's disability plan, up to their expiration date.

Death*. If you die while an active employee, all unvested options immediately vest. Your estate will have one year from the date of your death to exercise all outstanding options. If you die during the post-retirement exercise period, your estate has one year from the date of your death in which to exercise all outstanding options.

Taxes/Withholding. An employee who receives a stock option award is responsible for any income or other tax liability attributable to the award. The Corporation will take such steps as are appropriate to comply with applicable federal, state and local tax withholding requirements. The Corporation will have the right to deduct directly from any payment or delivery of shares that you would otherwise receive upon exercising options, or from your regular compensation, all federal, state and local taxes required by law to be withheld with respect to the exercise of an option. Additional tax information can be found in Appendix 2.

The tax information discussed in this brochure (including Appendix 2) is for U.S. taxpayers only, and is based on our interpretation of U.S. tax laws as they pertain to the Plan. Tax laws are complex and vary from country to country. If you have specific questions, you should consult your accountant or financial advisor for advice on tax matters.

Administration Information. The Chief Executive Officer approves option grants under the Recognition Stock Option Program. Any question of administration or interpretation of your award or the Program is determined by the Senior Vice President, Human Resources and Organization whose determination is final and conclusive and binding on all parties in interest.

If you have any questions about your stock option award or need additional information, please call the Stock Option Administrator at 860-728-7884 or e-mail to stockoptionplans@utc.com.

* Different tax rules may apply when the estate or heir exercises the deceased employee's options.

Amendment and Termination. While UTC intends to continue this Plan, it reserves the right to change or discontinue it at any time.

Right of Discharge Reserved. Your participation in the Recognition Stock Option Program does not confer the right to continue in your employment for any period of time or affect the right of the Corporation or any subsidiary or division to terminate your employment before or after the vesting date. Participation in the Program for any particular year does not ensure that you will receive additional stock option awards in the future.

Non-Assignment of Interests. No assignment or transfer of any interest of any employee in any of the rights in a stock option award under the Recognition Stock Option Program, whether voluntary or involuntary, by operation of law or otherwise shall be permitted except by will or the laws of descent and distribution.

SEC Documents Incorporated by Reference

UTC has filed with the Securities and Exchange Commission (SEC) a registration statement on Form S-8 under the Securities Act of 1933, as amended, relating to the Employee Stock Option Plan.

Further information is contained in the Registration Statement and in its document exhibits. Copies of those documents filed with the SEC contain a full and complete statement of their provisions.

The following documents, filed by UTC with the SEC, are incorporated by reference in the Registration Statement, except to the extent that any such document is modified, superseded, or replaced by a statement or information contained in any such document filed later with the SEC:

- The latest Annual Report on Form 10-K filed by UTC under Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "1934 Act");
- All other reports filed by UTC under Sections 13, 14 or 15(d) of the 1934 Act since the end of the fiscal year covered by the Annual Reports referred to above; and
- The descriptions of securities to be registered contained in the Registration Statements filed under Section 12 of the 1934 Act, relating to UTC's Common Stock, including any amendments and reports filed for the purpose of updating such descriptions.

In addition, all reports and documents filed by UTC under Sections 13, 14 or 15(d) of the 1934 Act after the

date of the Prospectus and prior to the termination of this offering shall be deemed to be incorporated by reference in the Prospectus and to be a part of the Prospectus from the date of filing such reports and documents.

UTC will provide without charge to each employee to whom the Prospectus is delivered, upon written or oral request, a copy of any and all reports and documents that have been incorporated by reference in the registration statement of Form S-8 that have not been delivered to the employee. To request such reports and documents, write to the Stock Option Administrator, c/o UTC, 1 Financial Plaza, Hartford, CT 06101, or call (860) 728-7884, or send an e-mail to stockoptionplans@utc.com.

Final Note. This brochure is provided for general information only, and nothing in it is intended, or should be interpreted, as a binding contract or promise of any kind. In the event of any conflict between this brochure and the United Technologies Corporation Employee Stock Option Plan, which is the official Plan document, the terms of the Plan document shall control.

The estimates provided in this brochure give a general idea of the potential value of an award under this program and are for purposes of illustration only. Individual award amounts will vary.

Glossary of Terms

Award: The number of stock options granted to you.

Exercise: When you use your options to buy shares, you are exercising your options.

Exercise Price: The closing price of UTC stock on the New York Stock Exchange (“NYSE”) on the award date. The exercise price of the option does not change during its life.

Expiration Date: The last day of the term of an option. Options not exercised on or before this date expire without value.

Life: The time period between the award date of the options and the date the options can no longer be used to buy shares.

Non-Qualified: The options are not subject to the special U.S. income tax treatment — with associated restrictions — of qualified stock options. The term “non-qualified” does not reflect on the quality of the stock option but rather reflects on the way the options are addressed in the Internal Revenue Code.

Sale or Trade Price: The actual sale or “trade” price of UTC stock when you exercise your options

Stock Option: The right to purchase a specific number of shares of the company at a specified price.

Vesting Date: The date on which the option can first be exercised.

Appendix 1

United Technologies Corporation Employee Stock Option Plan

1. Introduction and purpose. The purpose of this Plan is to benefit the shareowners of the Corporation by (i) encouraging high levels of performance by employees of the Corporation by increasing the proprietary interests of such individuals in the Corporation's growth and success; and (ii) recognizing those employees who demonstrate outstanding performance and potential through Awards designed to strengthen the relationship between the Corporation and such employees. To accomplish these objectives, the Plan authorizes the Award of non-qualified stock options to employees of the Corporation below the executive level whose efforts, responsibilities and long-term potential enable these individuals to contribute to the long term success of the Corporation. Stock Option Awards serve to recognize the performance and potential of such employees, foster commitment to the Corporation and its long term goals and to reward such individuals by sharing in any increase in the value of the Corporation's Common Stock.

This Plan shall be effective January 1, 1997.

2. Definitions.

"*Affiliate*" means a corporation, partnership, joint venture or other entity in which the Corporation has an ownership or other financial interest.

"*Award*" means a grant of non-qualified stock options made in accordance with the terms hereof.

"*Award Date*" means the date an Award is granted.

"*Board*" means the Board of Directors of United Technologies Corporation.

"*Business Unit*" means an operating division, subsidiary or affiliate of the Corporation.

"*Committee*" means the Committee on Compensation and Executive Development of the Board.

"*Common Stock*" means the common stock of the Corporation and shall include both treasury shares and authorized but unissued shares and shall also include any security of the Corporation issued in substitution, exchange or in lieu thereof.

"*Corporation*" means United Technologies Corporation.

"*Expiration Date*" means the last date a Stock Option Award may be exercised. An unexercised Stock Option Award shall be canceled without value following the Expiration Date.

"*Fair Market Value*" means the closing price of Common Stock, as reported by the composite tape of New York Stock Exchange issues (or such other reporting system as shall be selected by the Committee) on the relevant date, or if no sale of Common Stock is reported for such date, the next following day for which there is a reported sale.

"*Participant*" means an individual who has been granted an Award pursuant to this Plan.

"*Plan*" means the United Technologies Corporation Employee Stock Option Plan, as set forth herein and as it may be amended from time to time.

"*Stock Option*" means the right to purchase a specified number of shares of Common Stock at a fixed option price equal to the Fair Market Value of Common Stock on the date the stock option is granted.

"*Vesting Date*" means the date a Stock Option first becomes exercisable.

3. Eligibility. Participants under this Plan shall consist of those non-executive employees of the Corporation whose responsibilities, efforts, and initiative enable them to contribute to the success of the Corporation and the Business Units. Individuals who are employed in organizations which are affiliated with the Corporation through partnership, joint venture, or other arrangements involving financial and/or strategic collaboration whose efforts benefit the Corporation are also eligible to participate herein. Individual Participants shall be recommended by the Business Units, subject to the approval of the Chief Executive Officer. Executives of the Corporation and any individual who is a reporting person of the Corporation for purposes of Section 16 of the Securities Exchange Act of 1934 are not eligible to participate in the Plan.

4. Exercise and payment of options. A Participant may acquire shares of Common Stock by exercising his or her Stock Option Award, or portion thereof, during a period beginning on the third anniversary of the Award Date and ending on the tenth anniversary of the Award Date, unless the Expiration Date is accelerated as a result of termination, death or retirement as set forth in Section 5 hereof. The Vesting Date and Expiration Date are each set forth in the Statement of Award. The option to purchase shares will expire without value with respect to any Stock Option that is not exercised on or before the Expiration Date. It is the sole responsibility of the Participant, or the Participant's representative, to exercise the Stock Option in a timely manner. The Corporation assumes no responsibility for, and will make no adjustments with respect to Stock Options that expire without value.

Stock Options may be exercised through a security brokerage firm with whom the Corporation has established an arrangement to facilitate Stock Option exercises. After the Participant establishes a relationship with one of the pre-approved security brokerage firms, the Participant may exercise Stock Options by notifying such broker of the options to be exercised. On the exercise date the broker will sell shares of Common Stock sufficient to cover the exercise price of the option plus any required tax withholding amounts. The broker will then wire transfer funds back to the Corporation equal to the exercise price and the required tax withholding amount. The Corporation will then immediately deliver to the broker a number of shares of Common Stock equal to the number of options exercised. The shares remaining after payment of the exercise price and tax withholding will at the Participant's election either: (i) be placed in the Participant's account; or (ii) sold on the market with net cash proceeds delivered to the Participant by the broker. No cash payment will be required to be paid to the broker or to the Corporation by the Participant at any time during the Stock Option exercise process.

5. Termination of employment. A Stock Option that is vested as of the date of a Participant's termination of employment may be exercised for a period of 90 calendar days following the date of termination, but in no event beyond the Expiration Date of the Stock Option. Stock Options which are not vested as of the termination date will be canceled without value except as specifically provided for below.

If a Participant's employment terminates by reason of retirement, Stock Options that have been held at least one year as of the retirement date will become exercisable on the original scheduled Vesting Date and may be exercised thereafter until the third anniversary of the retirement date or until the Expiration Date of the Stock Option, whichever is earlier. Stock Options which are exercisable as of the retirement date may continue to be exercised for a period up to the third anniversary of the retirement date, but in no event beyond the Expiration Date of the Stock Option. For purposes of this Plan, retirement shall have the same meaning as defined in the United Technologies Corporation Retirement Plan and requires either: (i) attainment of age 65; (ii) retirement on or after age 55 with at least 10 years of service; or (iii) termination of employment between age 50 and 55 with a combination of age and service of at least 65 (i.e., the "rule of 65").

Stock Options granted after February 22, 1999 and held for at least one year prior to the Participant's retirement date will become exercisable on the original Scheduled Vesting Date and may be exercised for up to five years following the retirement date (but in no event beyond the Stock Option Expiration Date) if: (i) the Participant is at least age 55 with 10 or more years of service or has attained age 65 as of the retirement date; and (ii) the Corporation consents to the Participant's retirement. Such consent will be granted or withheld at the sole discretion of the Corporation based on its ability to effectively transition the Participant's responsibilities as of the retirement date and such other factors as it may deem appropriate.

Stock Options granted after June 11, 2003 and held for at least one year prior to the Participant's retirement date will become exercisable on the original scheduled vesting date and may be exercised for the remaining term of the Stock Option if: (i) the Participant is at least age 55 with 10 or more years of service or has attained age 65 as of the retirement date; and (ii) the Corporation consents to the Participant's retirement. Such consent will be granted or withheld at the sole discretion of the Corporation based on its ability to effectively transition the Participant's responsibilities as of the retirement date and such other factors as it may deem appropriate.

In the event of permanent and total disability, the Participant shall not be considered to have terminated employment for purposes of the Stock Option Award which shall become vested and exercisable in accordance with the terms of the Award without regard to the disability. An authorized leave of absence shall not be treated as a termination of employment if the Participant resumes active employment immediately following such leave of absence.

In the event of the death of the Participant, the legal representative of the estate of the Participant may exercise all Stock Options outstanding as of the date of death, whether or not vested, for a period of one year following the date of death, regardless of the Expiration Date of the Stock Option.

If the Participant terminates employment for any reason other than death, disability or retirement, all non-vested Stock Options will be forfeited effective as of the termination date.

6. Limitation on number of shares. The number of shares with respect to which Stock Option Awards may be issued for any calendar year shall not exceed four million shares of Common Stock and no more than a total of 20 million shares may be granted after June 30, 2003 unless the Plan is extended by a vote of a majority of the Corporation's shareholders. This limitation shall be subject to adjustment as provided for in Section 10 hereof.

7. Amendment and termination. The Committee reserves the right to amend, suspend or discontinue the Plan at any time or to alter or to amend any Award under the Plan to the extent permitted by law.

8. Administration. Awards under this Plan shall be granted subject to the review and approval of the Chief Executive Officer. All questions of interpretation and administration with respect to the Plan and Awards thereunder shall be determined by the Senior Vice President, Human Resources and Organization or his successor. This determination shall be final and conclusive upon all parties and interest.

9. Adjustment provisions. If the Corporation effects a subdivision or consolidation of shares of Common Stock or other capital adjustment, the payment of a stock dividend or other increase or reduction of the number of shares of Common Stock outstanding without receiving consideration therefore in money, services or property, the number of shares of Common Stock then remaining subject to this Plan and outstanding Awards and the maximum number of shares that may be issued under this Plan shall: (a) in the event of an increase in the number of outstanding shares, the number of shares subject to an Award shall be proportionately increased and the exercise price for each share then covered by an outstanding Award shall be proportionately reduced, and (b) in the event of a reduction in the number of outstanding shares, be proportionately reduced and the price for each share then covered by an outstanding Award shall be proportionately increased. The maximum number of shares that may be subject to an Award in any given year shall be increased or decreased to reflect the subdivision, consolidation or other capital adjustment. In addition, in such circumstances, the Committee shall make such adjustments to Awards under the Plan as the Committee deems appropriate.

10. Change of control. In the event of a change of control of the Corporation, or if the Board reaches agreement to merge or consolidate with another company and the Corporation is not the surviving Corporation or if all, or substantially all of the assets of the Corporation are sold, or if the Corporation shall make a distribution to shareowners that is non-taxable under the Internal Revenue Code, or if the Corporation shall dissolve or liquidate (a "Restructuring Event"), then the Committee may, in its discretion, recommend that the Board take any of the following actions as a result of, or in anticipation of, any such Restructuring Event to assure fair and equitable treatment of Plan Participants:

(a) accelerate time periods for purposes of vesting in, or realizing gain from, any outstanding Award made pursuant to this Plan;

(b) offer to purchase any outstanding Award made pursuant to this Plan from the holder for its equivalent cash value, as determined by the Committee, as of the date of the Restructuring Event; and

(c) make adjustments or modifications to outstanding Awards as the Committee deems appropriate to maintain and protect the rights and interests of Plan Participants following such Restructuring Event. Any such action by the Board shall be conclusive and binding on the Corporation and all Plan Participants.

For purposes of this Section, "Change of Control" shall mean: (i) the acquisition by any person of voting shares of the Corporation if, as a result of the acquisition, such person, or any "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934 of which such person is a part, owns at least 20% of the outstanding voting shares of the Corporation; or (ii) a change in the composition of the Board such that within any period of two consecutive years, persons who (a) at the beginning of such period constitute the Board or (b) become directors after the beginning of such period and whose election, or nomination for election by the shareowners of the Corporation, was approved by a vote of at least two-thirds of the persons who were either directors at the beginning of such period or whose subsequent election or nomination was previously approved in accordance with this clause (b), cease to constitute at least a majority of the Board.

11. Non assignability. No assignment or transfer of any interest of the Participant in any of the rights represented by any Award hereunder whether voluntary or involuntary, by operation of law or otherwise shall be permitted except by will or by the laws of descent and distribution. Any attempt to assign such interests shall be void and shall be without force or effect.

12. Awards not to be affected by certain transactions. Neither the Plan nor the Awards hereunder shall affect in any way the right or power of the Corporation or its shareowners to make or authorize: (a) any or all adjustments, recapitalizations, reorganizations or other changes in the Corporation's capital structure or its business; (b) any merger or consolidation of the Corporation; (c) any issue of bonds, debentures, preferred or prior preference stocks holding any priority or preferred to, or otherwise affecting in any respect the Common Stock of the Corporation or the rights of the holders of such Common Stock; (d) the dissolution or liquidation of the Corporation; (e) any sale or transfer of all or any part of its assets or business; or (f) any other corporate act or proceeding.

13. Notices. Every notice or other communication relating to this Plan and any Award hereunder shall be in writing, and shall be mailed to or delivered to the party for whom it is intended at such address as may from time to time be designated by such party or through electronic delivery at the Participant's internal electronic mail address. Unless and until some other address has been so designated, all notices by the Participant to the Corporation shall be mailed to or delivered to the Corporation's Director, Compensation at United Technologies Building, MS 504, Hartford, Connecticut 06101, and all notices by the Corporation to the Participant shall be given to the Participant electronically, personally or be mailed to the Participant at his or her address (or e-mail address, as the case may be) as shown on the records of the Corporation.

14. Taxes/withholding. The Participant shall be responsible for any income or other tax liability attributable to amounts realized from Awards. The Corporation shall take such steps as are appropriate to assure compliance with applicable federal, state and local tax withholding requirements. The Corporation shall, to the extent required by law, have the right to withhold shares from a Stock Option exercise or to deduct directly from any payment due the Participant or from the Participant's regular compensation, all federal, state and local taxes of any kind (including taxes imposed by international tax authorities with requisite jurisdiction) required by law to be withheld with respect to value realized upon the exercise of a Stock Option.

15. Right of discharge reserved. Nothing in this Plan or in any Award granted hereunder shall confer upon any Participant the right to continue in the employment or service of the Corporation or any Business Unit for any period of time or affect any right that the Corporation or a Business Unit may have to terminate the employment or service of such Participant at any time for any reason.

16. Right of corporation to revoke awards. Notwithstanding any other provision herein, the Corporation reserves the right, prior to a Change of Control of the Corporation, to cancel any Award, whether or not vested, if the Senior Vice President, Human Resources and Organization determines that the Participant has engaged in any act or practice with respect to the affairs of the Corporation or the Business Units, whether or not employed by the Corporation at the time, that is materially detrimental to the Corporation or the Business Units, provided, however that the Corporation shall not take any such action in an arbitrary or capricious manner.

17. Nature of payments. All Awards made pursuant to this Plan are in consideration of services performed for the Corporation or the Business Units. Any gains realized pursuant to such Awards constitute a special award payment to the Participant and shall not be taken into account as compensation for purposes of any of the employee benefit plans of the Corporation.

18. Unfunded plan. The Plan is unfunded. Neither the Corporation nor the Board shall separate assets or establish a trust for the purpose of funding the obligations represented by Awards hereunder. The Corporation's liability to Participants with respect to the Plan is based solely upon its contractual obligations created by the Awards granted hereunder. No such obligation shall be deemed to be secured by any pledge or encumbrance of any property of the Corporation.

19. No rights as a shareowner. No Participant shall have the rights of a Shareowner with respect to any Stock Option Award under the Plan until the Participant acquires shares of Common Stock pursuant to the exercise of a Stock Option Award.

20. Government contract compliance. The "UTC Policy Statement on Business Ethics and Conduct in Contracting with the United States Government" calls for compliance with the letter and spirit of Government Contracting Laws and Regulations. In the event of a violation of Government Contracting Law or Regulation, the Corporation reserves the right to revoke any Awards made under this Plan.

21. Governing law. The Program shall be governed by and construed in accordance with the laws of the State of Connecticut.

22. Interpretations. Any materials provided to Participants, including descriptive brochures and Statements of Award are subject in all respects to the terms of the Plan. In the event that any provision of a descriptive brochure, Statement of Award or other Plan communication is inconsistent with the terms of the Plan, the terms of the Plan shall control. Any question of administration or interpretation arising under this Plan shall be determined by the Senior Vice President, Human Resources and Organization, such determination to be final and conclusive upon all parties in interest.

Appendix 2

Federal Tax Consequences

Discussed below are some of the major federal tax consequences of the Plan, based on applicable provisions of the federal tax laws and regulations as currently in effect. This summary of federal tax consequences, applicable as of the date of this Prospectus, is set forth below solely for the general information of Participants. The federal tax consequences of any Stock Option under the Plan will depend on the specific nature, terms, and conditions of the Stock Option and the Participant's individual circumstances. Before exercising a Stock Option under the Plan, disposing of shares acquired pursuant to the exercise of an option, or taking any other action under the Plan, a Participant should consult a professional tax adviser concerning the federal and any state or local tax consequences of such actions as they apply to his or her specific circumstances. This discussion is neither intended nor offered as a complete summary nor as a legal interpretation, and it does not address any consequences other than federal tax consequences, including any aspects of state, local, or foreign tax law.

Federal Income Tax Consequences to the Participant

No income will be recognized by a Participant at the time a Stock Option is granted by the Corporation. Upon the exercise of a Stock Option, the Participant generally will recognize ordinary income equal to the excess of the fair market value of the shares of Common Stock purchased (as of the exercise date) over the option price.

The Participant's tax basis in the shares received upon the exercise of an option is the sum of the option price paid and the ordinary income recognized as a result of exercising the option. The tax basis of shares received upon exercise of an option will thus generally be equal to the fair market value of the shares as of the exercise date. The Participant's holding period for any such shares begins on the date the shares are transferred as a result of the exercise (generally just after the exercise date).

If a Participant disposes of shares acquired by the exercise of an option, the Participant will recognize gain (or, under certain conditions, loss) in the year of the disposition equal to the difference between any amount realized on the disposition and the Participant's tax basis in the shares. The gain (or loss) will be a short or long term capital gain (or loss) depending on how long the Participant holds the shares.

Generally, the rate of tax on any capital gain that a Participant realizes upon the disposition of shares is determined as follows:

Short-Term Gain: The net gain on shares held for one year or less is taxed at the Participant's regular income tax rate.

Long-Term Gain: The net gain on shares held for more than one year is taxed at a maximum rate of 15% (5% to the extent the taxpayer's taxable income is taxed at a rate below 25%).

Federal Income Tax Consequences to the Corporation

The Corporation (or a subsidiary of the Corporation) generally will be entitled to a federal income tax deduction in an amount equal to the ordinary income recognized by a Participant in connection with the exercise of an option in the same taxable year in which the Participant recognizes ordinary income, provided that, among other things, the amount qualifies as an ordinary and necessary business expense.

Federal Employment Tax Consequences

In general, the amount included in a Participant's ordinary income upon the exercise of an option is also included in the Participant's wages for federal employment tax (FICA and FUTA) purposes.

Other Laws and Regulations

The Plan, the grant of options under the Plan, and the Company's obligation to deliver shares under the Plan are all subject to applicable federal and state laws, rules, and regulations. The Plan does not qualify for special tax treatment under Section 401(a) of the Internal Revenue Code of 1986, and is not subject to any provisions of the Employee Retirement Income Security Act of 1974.

How to Exercise Your UTC Stock Options

As a UTC Stock Option holder, you have two procedures available for exercising your stock options. You can either exercise and hold the shares (“cash” exercise), or exercise and hold/sell the shares (“cashless” exercise).

You may contact any one of these three UTC authorized “cashless” brokers listed below to open an account.

	Telephone #	Fax #
UBS Financial Services (Domestic Only)	800-836-0003	860-547-1997
Bill Greco	860-727-1515	860-727-1561
Quick & Reilly (Global)	888-338-9151	646-435-7139
Steven Hartstein	860-727-0400	
Salomon Smith Barney (Global)	800-248-4499	860-275-0736/0792
Steve Dunn	860-275-0740	
	860-275-0745	
	860-275-0743 (for weekends and non-business hours)	
RBC Dominion Securities (for Canadian optionholders only)		
Ken Tooke	514-878-7044	514-878-7070

Cash Procedure for Exercise and Hold:

1. Obtain the UTC Stock Option Exercise Form from the Stock Option Administrator (stockoptionplans@utc.com), fill out as necessary and mail the completed form back with a check for the option cost payable to United Technologies.
2. When the form is received, the Stock Option Administrator will determine the taxable income (spread between exercise cost and closing market price on the date of exercise) and calculate the Federal, State, and FICA tax withholding.
3. After the tax check has been received, the Stock Option Administrator will simultaneously exercise your options and have the shares delivered to you in accordance with your instructions on the exercise form.
4. Taxes will be remitted to your Payroll and credited on your W-2 form (U.S. only).

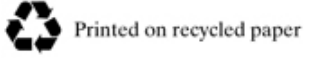
Cashless Procedure for Exercise and Hold/Sell:

1. Obtain the UTC Stock Option Exercise Request and Agreement Form from one of the brokers listed above, fill out as necessary and mail or fax the completed form to your broker.
2. When the form is received, the broker will determine the fair market value, based on the trade price, and the exercise cost (option price x number of shares being exercised) and calculate the Federal, State, and FICA tax withholding on the taxable gain.
3. The broker will exercise your options to purchase shares and hold in your account (exercise and hold) or immediately sell those shares in the open market (exercise and sell).
4. Taxes will be remitted by the broker to UTC and credited on your W-2 form (U.S. only).
5. The broker will deduct a small sales commission.
6. For the Exercise and Hold procedure, and as elected on your exercise form, the broker will send you
 - a) a certificate for the remaining full shares and a check for the balance or
 - b) a statement showing the remaining full shares and cash balance credited to your brokerage account.
7. For the Exercise and Sell procedure, the broker will send you a check for the balance.

Note: For those option holders who reside outside of the U.S. and/or are not U.S. citizens, the above instructions may not apply. In this situation, each broker has specific procedures and the option holder should contact the broker(s) for more information.



United Technologies Corporation
United Technologies Building
Hartford, CT 06101



Printed on recycled paper

EMPLOYEE STOCK OPTION PLAN

RECOGNITION STOCK OPTION PROGRAM

STATEMENT OF AWARD

GRANTED ON: **[DATE]**

TO:

_____ OPTIONS AT AN OPTION EXERCISE PRICE OF _____

These options vest and become exercisable on [DATE] and will expire [DATE] if not exercised.

This award is subject to the terms and conditions of the UTC Employee Stock Option Plan which has been summarized in the Recognition Stock Option brochure distributed to all program recipients. Additional copies of the brochure and the UTC Employee Stock Option Plan (the official Plan document) are available through your Human Resources Department.

United Technologies Corporation

Long Term Incentive Plan

**Continuous Improvement
Incentive Program**

Non-Qualified Stock Option and Dividend Equivalent Awards

Schedule of Terms

Non-Qualified Stock Option and Dividend Equivalent Awards

United Technologies Corporation (the “Corporation”) hereby awards to the recipient Non-Qualified Stock Options and Dividend Equivalents pursuant to the Corporation’s Continuous Improvement Incentive Program (the “Program”), which has been established under the United Technologies Corporation Long Term Incentive Plan (the “LTI Plan”). The number of Non-Qualified Stock Options and Dividend Equivalents awarded is set forth in the Statement of Award issued to the recipient (the “Statement of Award”). The recipient will become a Participant in the Program upon receipt of the Statement of Award and acceptance of such Award by signing and returning the appropriate portion of the Statement of Award to the Program Administrator. Program Awards are subject to this Schedule of Terms and the terms and provisions of the LTI Plan.

Program performance objectives will be established for the three-year period following the grant as set forth in the Statement of Award. Subsequent grants may be made under the Program in future years subject to the same or different performance objectives. Achievement of Program objectives will be measured cumulatively over the three year period. Dividend Equivalents will vest and become payable if the achievement of Program objectives reaches specified levels applicable to the Participant’s business unit (see “Vesting”, page 2).

A Non-Qualified Stock Option (an “Option”) is the right to purchase, at a future date, a specific number of shares of Common Stock of the Corporation (“Common Stock”) at a price equal to the closing price reported on the composite tape of the New York Stock Exchange for such shares on the date of grant of the Award. The number of shares for which the Option is awarded to the Participant and the Option price per share are set forth in the Statement of Award.

A Dividend Equivalent is the right to receive a payment equal to the quarterly dividend amount paid on Common Stock for a stated period of time.

Program Objectives

Performance against Program objectives is measured over the three-year period ending December 31 of the third year following the grant, as set forth in the Statement of Award. Program objectives are established for each business unit and the Corporate Office.

Program objectives will consist of one or more financial objectives that will be a critical measure of the business unit's performance over the three year performance measurement period. Program objectives are approved by the Board of Directors' Committee on Compensation and Executive Development (the "Committee"). Achievement of Program objectives at the required level will result in vesting of all or a portion of the Dividend Equivalent Award (see "Vesting" below).

Vesting

Stock options will vest and become exercisable three years after the date of grant, and may be exercised any time thereafter until the earlier of:

- (i) the expiration date specified in the Statement of Award, at which time the Option and all associated rights lapse without value; or
- (ii) termination of employment in which case the right to exercise shall be for a specified period of time following the date of termination, as described in "Termination of Employment".

Dividend Equivalents will vest at the conclusion of the three-year performance measurement period, if and to the extent the business unit's cumulative performance results in the achievement of a specified percentage of the business unit's Program objectives. Dividend Equivalent payments will be made quarterly with respect to vested Dividend Equivalents commencing with the first dividend payment on Common Stock following the vesting date.

For a Participant transferring between business units during the three-year performance measurement

period, vesting will be determined by a formula which pro-rates the number of months spent in each business unit during the three-year period and then establishes a weighted average percentage utilizing the Program objective performance of each business unit. These vesting rules also apply when an executive is transferred to a non-executive position, either in the same business unit or another business unit. For a Participant transferring to an affiliate that does not participate in the Program, vesting will be determined by a similar pro-ration formula. (See "Transfers and Other Changes", page 9.)

Exercise and Payment of Options

Options may be exercised on or after the vesting date through the expiration date (or earlier in the event of termination of employment). The vesting date and expiration date are each set forth in the Statement of Award.

The Option to purchase shares will expire without value with respect to any shares that are not purchased on or before the expiration date. It is the responsibility of the Participant, or a designated representative, to exercise the Option in a timely manner. The Corporation assumes no responsibility for and will make no adjustments with respect to Options that expire.

Options may be exercised through one of two procedures set forth below. For stock option exercises processed utilizing the procedures described in (i) below, the value of Common Stock will be the closing price reported on the composite tape of the New York Stock Exchange on the date of exercise. For stock option exercises processed utilizing the procedures described in (ii) below, the value of Common Stock will be the actual transaction price.

- (i) Participants may exercise Options by completing and sending the UTC Exercise Form to the Stock Option Program Administrator, identifying the number of Options to be exercised and paying the required Option price in U.S. dollars by check or bank draft or by tendering shares of Common

Stock (utilizing procedures authorized by the Program Administrator for tendering shares). The date of exercise will be the date of postmark or delivery of a completed form (with an original signature) and check for the cost of exercise to the Program Administrator; or

A Participant may follow the above procedure by using a broker or other authorized representative. As above, a completed UTC Exercise Form (with an original signature) must be submitted with the check for the cost of exercise to the Program Administrator.

- (ii) Alternatively, Participants may utilize the “cashless” exercise method where neither cash nor shares are tendered by the Participants in payment of the exercise price. To facilitate the cashless exercise of Options, a Participant must establish an account with a designated broker at one of the security brokerage firms approved by the Corporation.

Under the cashless procedure, a Participant notifies the designated broker of the Award date and number of Options to be exercised. The broker provides the Participant with the exercise form and notifies the Program Administrator. The designated broker will sell shares of Common Stock sufficient to cover the exercise price of the Options to be exercised plus required tax withholding amounts and wire transfer the sales proceeds to the Corporation. The Corporation will then deliver to the designated broker the number of shares equal to the number of Options exercised. The broker retains the number of shares sold to cover the exercise price and tax withholding. The net shares remaining will, at the Participant’s election, either be placed in the Participant’s account with the brokerage firm or sold on the open market with net cash proceeds delivered to the Participant by the designated broker.

In a cashless exercise, reported taxable income will be based on the actual transaction price as reported by the broker to the Program Administrator, rather than the closing price reported on the composite tape of the New York Stock Exchange on the date of exercise.

The cashless exercise method may not be used if the Corporation determines in its sole discretion that the transaction may constitute a prohibited loan to the executive or otherwise violates regulatory requirements or may cause special reporting requirements.

Dividend Equivalents

At the completion of the three-year performance measurement period, Participants will vest in Dividend Equivalents if their business unit achieves a specified minimum percentage of Program objectives.

Vested Dividend Equivalents will be paid quarterly, commencing with the first Common Stock dividend payment date following the vesting date. The quarterly payment will be equal to the dividend paid on a share of the Corporation's Common Stock for that quarter. If, for any reason, there is no Common Stock dividend paid for a quarter, the Dividend Equivalent payment will also be omitted for that quarter. The Dividend Equivalent will not be extended beyond the original payment period if any dividend payments are omitted.

Program Participants will continue to be eligible to receive quarterly payments for varying lengths of time based on the Participant's executive level at the time of grant:

L1 = 7 years

L2 = 4 years

L3 = 2 years

Dividend Equivalent payments will stop if:

- (i) the Participant terminates employment with the Corporation for reasons other than retirement, death or disability; or
- (ii) the Participant exercises an Option associated with the Dividend Equivalent Award. One vested Dividend Equivalent will be canceled for each share of common stock acquired or disposed of pursuant to the exercise of an associated Option. If less than 100% of the Dividend Equivalent Award vests, the vested Dividend Equivalents

will be cancelled upon the initial and subsequent exercise of Options associated with the Dividend Equivalent Award (i.e. vested Dividend Equivalents are allocated to the first Options exercised with respect to the Program Award).

Termination of Employment

If the Participant terminates employment for any reason other than death, disability or retirement, unvested Options will be canceled as of the termination date. Vested Options may be exercised for a period of 90 calendar days following the termination date (but not beyond the expiration date of the Option).

Retirement eligibility includes:

- (i) Attainment of age 65 as of the employment termination date; or
- (ii) Attainment of at least age 55 with 10 or more years of service as of the employment termination date.

Upon retirement, the Participant may exercise vested Options (i.e. those held for at least three years while continuously employed) for three years following the date of retirement or until the expiration of the Option, whichever is earlier. Unvested Options that have been held for at least one year prior to the date of retirement will become exercisable as of the retirement date and the Participant will then have a three year period following the retirement date to exercise these Options (but in no event beyond the Option expiration date).

For Options granted after February 22, 1999: If the Participant is eligible for retirement per above and the Corporation consents to the retirement, the Participant may exercise vested Options for five years following the date of retirement or until the expiration of the Option, whichever is earlier. Unvested Options that have been held for at least one year prior to the retirement date will become exercisable as of the retirement date and the Participant will then have a five year period following the retirement date to

exercise these Options (but in no event beyond the Option expiration date).

For Options granted after June 11, 2003: If the Participant is eligible for retirement per above and the Corporation consents to the retirement, the Participant may exercise vested Options until the expiration of the Option. Unvested Options that have been held for at least one year prior to the retirement date will become exercisable as of the retirement date and the Participant will have the full remaining term of the Option to exercise these Options.

For Options granted after February 22, 1999 and after June 11, 2003, the Corporation's consent will be at the sole discretion of the Corporation based on its ability to effectively transition the Participant's responsibilities as of the retirement date and such other factors as it may deem appropriate.

In all cases, options held for less than one year prior to the retirement date will be canceled without value.

Rule of 65: The Participant meets the "Rule of 65" if the Participant terminates employment on or after age 50, but before age 55, and the sum of the Participant's age and years of service add up to 65 or more as of the employment termination date. The Participant who meets the "Rule of 65" may exercise vested Options for three years following the employment termination date or until the expiration of the Option, whichever is earlier. Unvested Options that have been held for at least one year prior to the employment termination date will vest as of the termination date and the Participant will have a three year period following the termination date to exercise these Options (or until the expiration of the Options, if earlier).

Service used to determine eligibility for retirement or the "Rule of 65" will be based on continuous service recognized under the Participant's UTC retirement plan.

In the event of permanent and total disability, or an authorized leave of absence, or transfer to an affiliate,

the Participant shall not be considered to have terminated employment for purposes of the Option.

In the event of the death of the Participant, the legal representative of the estate of the Participant may exercise all Options outstanding as of the date of death, whether or not vested, for a period of one year following the date of death, regardless of the expiration date of the Option.

If the Participant terminates employment for any reason other than death, disability or retirement, all non-vested and vested but unpaid Dividend Equivalents will be forfeited. If termination is the result of disability, the Participant will not be considered to have terminated employment for purposes of Dividend Equivalents. If the Participant is transferred to an affiliate that does not participate in the Program, the Participant will not be considered to have terminated employment for purposes of Dividend Equivalents. (See "Transfers and Other Changes", page 9.)

If termination is the result of death before the vesting date, a lump sum Dividend Equivalent payment will be made to the Participant's estate equal to the quarterly dividend rate most recently paid on the Corporation's Common Stock, times four, times the number of Dividend Equivalents granted. If termination is the result of death after the Vesting Date, a lump sum Dividend Equivalent payment will be made to the Participant's estate equal to the quarterly dividend rate most recently paid on the Corporation's Common Stock, times the number of payments remaining to be paid, times the number of vested Dividend Equivalents.

If termination is the result of retirement before the vesting date, Dividend Equivalents held for less than twelve months will be canceled. Dividend Equivalents held for twelve months or more will be retained by the retiree until the vesting date, as long as the associated Options remain outstanding and unexercised. The outstanding non-vested Dividend Equivalents will be eligible for vesting based on the business unit's performance as determined at the end of the performance measurement period. Quarterly Dividend Equivalent

payments will then be made to the retiree while the associated Options remain outstanding and unexercised, up to the maximum number of payments as specified in the Statement of Award.

If a Participant retires after the completion of a performance measurement period, quarterly payments will be made on vested Dividend Equivalents while the associated Options remain outstanding and unexercised, up to the maximum number of payments as specified in the Statement of Award.

Transfers and Other Changes

If a Participant is transferred to another business unit during the three-year performance measurement period, the number of vested Dividend Equivalents will equal the sum of (i) plus (ii) where:

- (i) equals Dividend Equivalents granted, times a fraction, where the numerator equals the number of months in the business unit with respect to which the Award was granted and the denominator is thirty-six, times such business unit's vesting percentage; and
- (ii) equals Dividend Equivalents granted, times a fraction, where the numerator equals the number of months in the business unit to which the Participant is transferred and the denominator is thirty-six, times such business unit's vesting percentage.

If there are subsequent transfers to additional business units, vesting calculations will use the same formula. The above provisions also apply when a Participant is transferred to a non-executive position in another business unit.

If a Participant is transferred during a three year performance measurement period to an affiliate that does not participate in the Program, the number of vested Dividend Equivalents will equal the number of months in the business unit with respect to which the Award was granted, divided by thirty-six, times such business unit's vesting percentage. Vested Dividend

Equivalent payments will continue to be paid according to the payment schedule for the Participant's executive level at the time of the grant, as long as the Participant continues to be employed by the affiliate or subsequently transfers back to the Corporation, and as long as the associated Options remain outstanding and unexercised.

In all cases, the length of the Dividend Equivalent payment schedule will continue to be determined on the basis of the Participant's executive level at the time of grant.

Future Program Participation

Program objectives will be established each year in which Program Awards are made. The Committee and senior management will establish subsequent Program objectives consistent with the Corporation's and/or business unit's then most important priorities toward the long term success of the business. Participation in the Program for any particular year does not assure continued participation in the Program nor that subsequent Program Awards will be of equal amount or value relative to current Program Awards. Future Program participation is subject to annual review by the Committee and the Chief Executive Officer and will be determined on the basis of individual performance, potential and the ability to influence the achievement of Program objectives.

Nonassignability

Unless otherwise prescribed by the Committee, no assignment or transfer of any interest of the Participant in any of the rights represented by Options, Dividend Equivalents or the Participant's participation in the Program, whether voluntary or involuntary, by operation of law or otherwise, shall be permitted except by Will or the laws of descent and distribution. Any attempt to assign such interests shall be void and shall be without force or effect.

Adjustments

If the Corporation effects a subdivision or consolidation of shares of Common Stock or other capital adjustment, the number of shares of Common Stock then remaining subject to an Award shall be adjusted in the same manner and to the same extent as all other shares of Common Stock of the Corporation.

In the event of material changes in the capital structure of the Corporation resulting from: the payment of a special dividend (other than regular quarterly dividends) or other distributions to shareowners without receiving consideration therefore; the spin-off of a subsidiary; the sale of a substantial portion of the Corporation's assets; in the event of a merger or consolidation in which the Corporation is not the surviving entity; or other extraordinary non-recurring events affecting the Corporation's capital structure and the value of Common Stock, equitable adjustments shall be made in the terms of outstanding awards, including the number of shares of Common Stock subject to an Option, as the Committee, in its sole discretion, determines are necessary or appropriate to prevent the dilution or enlargement of the rights of Participants in their Program Awards.

Change of Control

In the event of a change of control, an event, which if consummated, would constitute a change of control, any other significant change pertaining to the ownership of the Corporation or a restructuring of the Corporation, the Committee may, in its discretion, recommend that the Board of Directors take certain actions with respect to outstanding Awards to assure fair and equitable treatment of Program Participants. Such actions may include: acceleration of the Vesting Date for Options and Dividend Equivalents; offering to purchase an outstanding Award from the Participant for its equivalent cash value (as determined by the Committee); or providing for other adjustments or modifications to outstanding Awards as the Committee may deem appropriate.

For purposes of the Plan, a “change of control” means the acquisition of 20% of the Corporation’s outstanding voting shares by a person or group (as defined in Section 13 (d) (3) of the Securities Exchange Act of 1934) of which such person is a member, or a change in the majority of the Board of Directors such that, within any consecutive two-year period, the members of the new majority are not approved by two-thirds of the members incumbent at the beginning of such two-year period. Members approved after such date by two-thirds of such incumbents as of the beginning of such two-year period shall be deemed to be incumbents as of the beginning of such two-year period for purposes of this computation. A merger or consolidation of the Corporation with another company where the Corporation is not the surviving company, a sale of substantially all of the assets of the Corporation, a dissolution or liquidation of the Corporation or other event or transaction having similar effect also constitutes a “change of control” for purposes of the LTI Plan.

Awards Not to Affect or Be Affected by Certain Transactions

Nonqualified Stock Option Awards and Dividend Equivalents shall not affect in any way the right or power of the Corporation or its shareowners to make or authorize: (a) any or all adjustments, recapitalizations, reorganizations or other changes in the Corporation’s capital structure or its business; (b) any merger or consolidation of the Corporation; (c) any issue of bonds, debentures, preferred or prior preference stocks holding any priority or preferred to, or otherwise affecting in any respect the Common Stock of the Corporation or the rights of the holders of such Common Stock; (d) the dissolution or liquidation of the Corporation; (e) any sale or transfer of all or any part of its assets or business; or (f) any other corporate act or proceeding.

Except as otherwise expressly provided in this Schedule of Terms, the issue by the Corporation of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property, or for labor

or services, either upon direct sale or upon the exercise of rights or warrants to subscribe thereto, or upon conversion of shares or obligations of the Corporation convertible into such shares or other securities, shall not affect and no adjustment by reason thereof shall be made with respect to the Option price or the number of outstanding shares subject to an Option Award.

Notices

Every notice or other communication relating to the Program, any Award thereunder and this Schedule of Terms shall be in writing, via hard copy or electronic transmissions, and shall be delivered to the party for whom it is intended at such address as may from time to time be designated by such party. Unless and until some other address has been so designated, all notices by the Participant to the Corporation shall be mailed to or delivered to the Corporation at its office at United Technologies Building, MS 504, Hartford, Connecticut 06101, Attention: Program Administrator, or e-mailed to *stockoptionplans@utc.com*. All notices by the Corporation to the Participant shall be given to the Participant electronically, personally, or be mailed to the Participant at his or her address (or e-mail address, as the case may be) as shown on the records of the Corporation.

Administration

Nonqualified Stock Option and Dividend Equivalent Awards granted pursuant to the Program shall be interpreted and administered by the Committee. The Committee shall establish such procedures as it deems necessary and appropriate to administer the Awards in a manner that is consistent with the objectives of the Program and the LTI Plan.

Pursuant to the terms of the LTI Plan, the Committee may delegate to employees of the Corporation its authority and responsibility to grant, administer and interpret Nonqualified Stock Option, Dividend Equivalent and other Awards under the Program.

Subject to certain limitations, the Committee has delegated the authority to grant Nonqualified Stock Options and Dividend Equivalents to the Chief Executive Officer and has further delegated the authority to administer and interpret such Awards to the Senior Vice President, Human Resources and Organization, along with the authority to sub-delegate, except that Non-Qualified Stock Option and Dividend Equivalent Awards granted to employees of the Corporation who are either reporting persons under Section 16 of the Securities Exchange Act of 1934 (“Insiders”) or members of the Corporation’s Executive Leadership Group shall be granted, administered, and interpreted exclusively by the Committee.

Taxes/Withholding

The Participant shall be responsible for any income or other tax liability attributable to any Program Award. The Program Administrator shall take such steps as are appropriate to assure compliance with applicable federal, state and local tax withholding requirements. The Corporation shall, to the extent required by law, have the right to deduct directly from any payment or delivery of shares due the Participant or from the Participant’s regular compensation, all federal, state and local taxes of any kind required by law to be withheld with respect to the exercise of any Option or payment of any Dividend Equivalents. Participants not based in the United States and foreign nationals who are not permanent residents of the United States must pay the appropriate taxes as required by any country where they are subject to tax.

Right of Discharge Reserved

Nothing in the LTI Plan, the Program, or in any Option or payment of any Dividend Equivalent Award granted shall confer upon any Participant the right to continue in the employment or service of the Corporation or any affiliate thereof for any period of time or affect any right that the Corporation or any subsidiary or division may have to terminate the employment or service of such Participant at any time for any reason.

Right of Committee to Revoke Awards

Notwithstanding any other provision herein, the Committee reserves the right, prior to a Change in Control of the Corporation, to cancel any outstanding Option and Dividend Equivalent Award, whether or not vested and regardless of achievement of applicable Program objectives, if the Committee determines that the Participant has engaged in any act or practice with respect to the affairs of the Corporation, whether or not employed by the Corporation at the time, that is materially detrimental to the Corporation, provided, however, that the Committee shall not take any such action in an arbitrary or capricious manner.

Nature of Payments

All Awards made pursuant to the Program are in consideration of services performed for the Corporation or the business unit employing the Participant. Unless required by law, any gains realized pursuant to such Awards constitute a special incentive payment to the Participant and shall not be taken into account as compensation for purposes of any of the employee benefit plans of the Corporation or any business unit.

Consistency with Other Business Objectives

Program objectives must be achieved in a manner that is not inconsistent with other business objectives of the Corporation and the business units. The Committee reserves the right to forfeit any Award, notwithstanding achievement of Program objectives, if the Committee or its delegate determines, in its sole discretion, that such achievement resulted in whole, or in part, from actions that were otherwise detrimental to the Corporation and/or the Participant's business unit, or did not constitute sound business practice or reflect good business judgment with respect to the Corporation and/or the business unit's operations, taken as a whole.

Government Contract Compliance

The “UTC Policy Statement on Business Ethics and Conduct in Contracting with the United States Government” calls for compliance with the letter and spirit of government contracting laws and regulations. Accordingly, efforts to achieve Program objectives must be consistent with these laws and regulations. Participants are expected to understand these requirements and seek advice where appropriate. If an act or recommendation of a Participant is inconsistent with or violates a government contracting law or regulation, all Awards made to such Participant pursuant to this Program will be revoked. Further, a Participant is subject to additional disciplinary action for violating the above-named Policy Statement on government contracting.

Interpretations

This Schedule of Terms and each Statement of Award are subject in all respects to the terms of the LTI Plan. In the event that any provision of this Schedule of Terms or any Statement of Award is inconsistent with the terms of the LTI Plan, the terms of the LTI Plan shall govern. Any question of administration or interpretation arising under this Schedule of Terms or any Statement of Award shall be determined by the Committee or its delegate, such determination to be final and conclusive upon all parties in interest.

Amendment and Termination

The Committee reserves the right to amend, suspend or discontinue the Program and the LTI Plan at any time.

Governing Law

The LTI Plan, the Continuous Improvement Incentive Program, this Schedule of Terms and the Statement of Award shall be governed by and construed in accordance with the laws of the State of Connecticut.



United Technologies Corporation
United Technologies Building
Hartford, CT 06101

**LONG TERM INCENTIVE PLAN AWARD
CONTINUOUS IMPROVEMENT INCENTIVE PROGRAM**

NON-QUALIFIED STOCK OPTION & DIVIDEND EQUIVALENT AWARD

Date of Grant: _____ Vesting Date: _____ Capital Value at Grant: _____
(nearest \$100)

Number of Options: _____ Option Price: _____ Exp. Date: _____

Number of Dividend Equivalents: _____ Maximum Payment Period: _____ years from vesting date*

Performance Measurement Period: _____

Division: _____

*Dividend Equivalents are subject to performance-based vesting criteria established for the corporation, the recipient's division, or a combination thereof.

The award shown in this statement is nontransferable and is subject to the terms and conditions of the United Technologies Long Term Incentive Plan.

Please sign and date portion below perforation and return to Program Administrator, UTC, MS#504, Hartford, CT 06101

**LONG TERM INCENTIVE PLAN AWARD
CONTINUOUS IMPROVEMENT INCENTIVE PROGRAM**

NONQUALIFIED STOCK OPTION & DIVIDEND EQUIVALENT AWARD

Date of Grant: _____ Vesting Date: _____ Capital Value at Grant: _____
(nearest \$100)

Number of Options: _____ Option Price: _____ Exp. Date: _____

Number of Dividend Equivalents: _____ Maximum Payment Period: _____ years from vesting date*

Performance Measurement Period: _____

Division: _____

* Dividend Equivalents are subject to performance-based vesting criteria established for the corporation, the recipient's division, or a combination thereof.

The award shown in this statement is nontransferable and is subject to the terms and conditions of the United Technologies Long Term Incentive Plan.

I acknowledge receipt of this Non-Qualified Stock Option & Dividend Equivalent Award and the attached Schedule of Terms describing my Award. I accept this Award subject to such Schedule of Terms and the United Technologies Long Term Incentive Plan.

Signed: _____ Date: _____

**LONG TERM INCENTIVE PLAN AWARD
CONTINUOUS IMPROVEMENT INCENTIVE PROGRAM**

NON-QUALIFIED STOCK OPTION & DIVIDEND EQUIVALENT AWARD

Date of Grant: _____ Vesting Date: _____ Capital Value at Grant: _____
(nearest \$100)

Number of Options: _____ Option Price: _____ Exp. Date: _____

Number of Dividend Equivalents: _____ Maximum Payment Period: _____ years from vesting date*

Performance Measurement Period: _____

Division: _____

* Dividend Equivalents are subject to performance-based vesting criteria.

The award shown in this statement is transferable and is subject to the terms and conditions of the United Technologies Long Term Incentive Plan.

Please sign and date portion below perforation and return to Program Administrator, UTC, MS#504, Hartford, CT 06101

**LONG TERM INCENTIVE PLAN AWARD
CONTINUOUS IMPROVEMENT INCENTIVE PROGRAM**

NON-QUALIFIED STOCK OPTION & DIVIDEND EQUIVALENT AWARD

Date of Grant: _____ Vesting Date: _____ Capital Value at Grant: _____
(nearest \$100)

Number of Options: _____ Option Price: _____ Exp. Date: _____

Number of Dividend Equivalents: _____ Maximum Payment Period: _____ years from vesting date*

Performance Measurement Period: _____

Division: _____

* Dividend Equivalents are subject to performance-based vesting criteria.

The award shown in this statement is transferable and is subject to the terms and conditions of the United Technologies Long Term Incentive Plan.

I acknowledge receipt of this Non-Qualified Stock Option & Dividend Equivalent Award and the attached Schedule of Terms describing my Award. I accept this Award subject to such Schedule of Terms and the United Technologies Long Term Incentive Plan.

Signed: _____ Date: _____

UNITED TECHNOLOGIES CORPORATION EXECUTIVE LEADERSHIP PROGRAM

The Corporation's most senior executives participate in an arrangement called the Executive Leadership Program. Members of the Executive Leadership Group receive certain supplemental benefits including a perquisite allowance equal to 12% of base salary, reimbursements for annual executive physicals, disability income protection, life insurance and separation benefits in certain circumstances. Disability, life insurance and separation benefits are described below. ELG members incur obligations related to the protection of the Company's intellectual resources.

Executive Disability Benefit

In the event of the executive's absence from work due to illness or injury and the cessation of any sick leave benefits available, he/she will receive 100% of base salary for up to one year. This amount will decrease by 5% each year until it reaches 80% of base salary — payable for the remainder of the disability. However, this benefit is not payable beyond the executive's recovery date, retirement date or age 65 — whichever is first. The total amounts paid under this Plan will be offset by any other Company-provided disability insurance benefit or the benefits provided under any government-sponsored programs.

Income Protection Program

In the event of the death of the executive before retirement, a benefit is payable to the beneficiary equal to three times the executive's current salary (at the time of death) projected to age 62 — assuming annual increases of 6% in base salary. Once age 62 is reached, the benefit will be frozen at three times the base salary in effect on the July 1 following the executive's 62nd birthday for the remainder of the executive's employment. The level of coverage will be reviewed every three years to ensure the accuracy of the projections on which the benefit is based. This benefit is payable in addition to any group life insurance in which the executive is now or may be enrolled in the future.

If the executive is age 55 or older, and has completed five years of participation in this plan, he/she will vest in the program. For vested participants who leave the corporation, the death benefit provided will be equal to two times his/her base salary at age 62, or two times base salary at time of separation if that should occur before age 62.

Standard Separation Arrangement

This arrangement is intended to provide the executive and his/her family with financial assistance if his/her employment with the Corporation should terminate under circumstances that constitute a mutually agreeable separation as discussed below. If eligible, a severance package not to exceed 2.5 times present value of the executive's base salary will be paid at time of separation.

Separation benefits are payable if a mutually agreeable separation occurs before normal retirement age, or separation occurs on or after normal retirement age and certain exclusions, including terminations for improper conduct, do not apply. Separation benefits will not be provided if the executive voluntarily leaves the Corporation before normal retirement age and the Corporation wants to retain the services of the executive, if separation occurs due to death or permanent and total disability, if the executive receives benefits under the Senior Executive Severance Plan or under certain other limited circumstances.

A mutually agreeable separation is one that results from sale or elimination of an operating unit, a management realignment, a change in business conditions or other circumstances that affect the executive's role within the Corporation. Separation benefits will not be paid unless the executive enters into a formal separation agreement with post-termination covenants including agreement not to bring suit against or compete with the Corporation and to protect proprietary and sensitive information.

EXECUTIVE LEADERSHIP GROUP AGREEMENT

United Technologies Corporation

The undersigned Executive acknowledges receipt of the materials summarizing the Corporation's Executive Leadership Group Program ("ELG") and the benefits available to the Executive as a member of ELG as well as the Executive's obligations and commitments to the Corporation as an ELG member. ELG benefits include the special life insurance and disability benefits under the ELG Income Protection Program, the Flexible Perquisites Allowance and eligibility for the Standard Separation Arrangement. While employed and for a 2-year period thereafter, ELG members must agree to protect Company information and to refrain from activities that could lead to the recruitment of Company employees. If eligible for the Standard Separation Agreement, the Executive will make additional commitments to the Company, including a non-compete agreement and a waiver of claims.

In consideration of the ELG benefits, the Executive hereby commits to membership in the ELG in accordance with its terms and conditions described in the ELG materials. The Company, in turn, agrees to provide ELG benefits to the Executive upon its receipt of this Agreement in accordance with the applicable terms and conditions as described in the enclosed ELG materials.

Executive

Date

UNITED TECHNOLOGIES CORPORATION

By _____

Date

**ELG PERQUISITE ALLOWANCE ACCOUNT
YEAR [YEAR] DEFERRAL AGREEMENT**

As provided by the terms of the Deferred Perquisite Account Program under the Executive Leadership Group (ELG) Program, I hereby **irrevocably** elect to defer ___% of my Flexible Perquisite Account Allowance for the calendar year 2005 on a **pre-tax** basis in the UTC Deferred Compensation Plan. This election will not exceed 50% of my total allowance. (Please use 10% increments for investment elections.)

Retirement) ___% of **Perquisite deferral**
(Payments automatically begin in April of calendar year following year of retirement)

___% to Credited Interest Account
___% to UTC Stock Unit Account
___% to Vanguard 500 Account

A lump sum
___ Annual installments (Specify a number not exceeding fifteen)

Special Purpose # 1 ___% of **Perquisite deferral**
Year Payments to Begin ___ (not earlier than the year 2011)

___% to Credited Interest Account
___% to UTC Stock Unit Account
___% to Vanguard 500 Account

A lump sum
___ Annual installments (Specify a number not exceeding fifteen)

Special Purpose # 2 ___% of **Perquisite deferral**
Year Payments to Begin ___ (not earlier than the year 2011)

___% to Credited Interest Account
___% to UTC Stock Unit Account
___% to Vanguard 500 Account

A lump sum
___ Annual installments (Specify a number not exceeding fifteen)

Authorization Signatures:

ELG Member:

United Technologies Corporation:

Signature

Date

Signature

Date

Print Name

Print Name

Perquisite deferrals are not funded in advance. In this regard, participants have the rights of unsecured, general creditors of the company with respect to the amounts credited to their accounts. Perquisite deferrals will be made in the same manner, and subject to the terms and conditions of any deferral elected under the UTC Deferred Compensation Plan.

Note: This form must be signed and dated no later than [DATE]

ELG RETIREMENT AGREEMENT

SEPARATION AGREEMENT, between [_____] (hereinafter, the "Executive"), and UNITED TECHNOLOGIES CORPORATION, a Delaware corporation, with an office and place of business at Hartford, Connecticut (United Technologies Corporation and all its subsidiaries, affiliates and divisions are hereinafter referred to as the "Company").

WHEREAS, the Executive intends to retire from the Company; and

WHEREAS, parties wish to set forth their mutual understanding concerning the termination of the Executive's employment with the Company as a result of [**his / her**] retirement; and

WHEREAS, the Executive has committed to membership in the Company's Executive Leadership Group (the "ELG"), which commitment signifies, among other things, the Executive's acceptance of the terms and conditions of the Standard Separation Arrangement;

NOW, THEREFORE, it is hereby mutually agreed as follows:

1. (a) The Executive's employment with the Company will terminate effective [____] (the "Retirement Date").
- (b) The parties agree that the Executive's separation from employment with the Company as provided herein is a "mutually agreeable separation" thus entitling the Executive to the Standard Separation Arrangement provided for ELG members.
2. (a) The total value of benefits which the Company will provide to the Executive under this Agreement equals \$ [**2.5X base salary**] (the "Total Benefit").
- (b) The Company will pay the Total Benefit in [**a single lump sum**] [**2-10**] annual installments of \$[_____] (less applicable tax withholdings) commencing [_____] 1, 200 [_____] and each [_____] 1 thereafter. The installment payment amount is calculated with interest at % (i.e. the current yield on a U.S. Treasury Bond of equivalent maturity, plus 1%). The Executive acknowledges [**his/her**] understanding that these payments are provided in consideration of [**his/her**] agreements and obligations under this Agreement.
- (c) The Executive understands and agrees that no part of the payments described in sub-section (b) above will be treated as compensation for any purpose under any of the retirement, savings or other employee benefit plans in which [**he/she**] participated.

- (d) The Executive has vested in **[his/her]** ELG life insurance benefit and will be entitled to elect post retirement coverage benefits in accordance with the terms of the program.
 - (e) Stock option awards which have not been held for one year as of the Retirement Date will be canceled without any payment or other consideration, effective as of the Retirement Date. Non-vested stock options held for more than one year as of the Retirement Date will become exercisable as of the Retirement Date. Stock options granted on or prior to February 22, 1999 may be exercised for up to three years following the Retirement Date, options granted after February 22, 1999 may be exercised for up to five years following the Retirement Date, and options granted after June 11, 2003 may be exercised up to the expiration of their term. In no case may any option be exercised after its expiration date. Dividend Equivalents (DE's) granted in 2003 and 2004 will be eligible for vesting in 2006 and 2007 respectively, based on the accomplishment of applicable CIIP objectives. Following the vesting date, DEs that vest (if any), will be paid until the underlying stock option is exercised. DEs that were vested as of the Retirement Date will continue to be paid in accordance with the CIIP Schedule of Terms. The treatment of stock options and DEs is subject to the terms and conditions set forth in the Company's Long Term Incentive Plan and the Schedule of Terms applicable to each award. The Executive will receive no further long term incentive awards.
 - (f) The Executive **[will/will not]** be eligible for an incentive compensation award in 200[] in respect of 200[].
 - (g) The Executive may purchase **[his/her]** Company leased vehicle on or before the Retirement Date in accordance with standard program procedures. The Executive will be responsible for any tax liability that may result from imputed income in connection with such purchase.
 - (h) Any amounts previously deferred under the ELG Perquisite Program will be distributed to the Executive in accordance with the elections made and under the terms of the ELG Deferred Perquisite Program.
3. (a) The Executive hereby agrees to release the Company, its subsidiaries, divisions, present or former employees, officers and directors from all claims or demands the Executive may have based on **[his/her]** employment with the Company or the termination of that employment. This includes a release of any rights or claims the Executive may have under the Age Discrimination in Employment Act of 1967, as amended from time to time, which prohibits age discrimination in employment; Title VII of the Civil Rights Act of 1964, which prohibits discrimination in employment based on race, color, national origin, religion or sex; the Equal Pay Act, which prohibits paying men and women unequal pay for equal work; the Americans with Disabilities Act which prohibits discrimination on the basis of handicap; the Employee Retirement Security Act of 1974 which prohibits discrimination on the basis of eligibility to receive benefits or any other federal, state or local laws or regulations prohibiting employment discrimination. This release also includes a release by the Executive of any claims or actions for wrongful discharge based on statute, regulation, contract, tort, common or civil law or otherwise.

- (b) This Release covers all claims based on any facts or events, whether known or unknown by the Executive that occurred on or before the effective date of this Agreement. The Executive will notify the Company of any claims that may arise after the effective date of this Agreement but before the Retirement Date and ratify the release and waiver, effective as of the Retirement Date, following resolution of any claims as a pre-condition to receiving the benefits provided for in Section 2 herein.
- (c) This Release does not include, however, a release of the Executive's rights to any pension, deferred compensation, health or similar benefits to which he may be entitled in accordance with the terms of the Company employee benefit plans in which **[he/she]** participated.
- (d) The Executive promises never to file a lawsuit or administrative complaint asserting any claims that are released in this Agreement.
- (e) The Executive understands and agrees that the amounts paid pursuant to this Agreement are in full and complete satisfaction of all amounts due **[him/her]** by the Company and that no other payments of compensation are due **[him/her]** under the ELG or otherwise. The Executive further understands and agrees that **[he/she]** shall not be entitled to any additional severance payments or payments in lieu of vacation, holiday or any other fringe benefits.
- (f) After the Retirement Date the Executive will cooperate with the Company with respect to matters that involved **[him/her]** during the course of **[his/her]** employment if such cooperation is necessary or appropriate.
- (g) The Executive agrees to resign from all committees, boards, associations and other organizations, both internal and external, to which the Executive currently belongs in his capacity as a Company executive, except as mutually agreed with the Company. Following the Retirement Date, the Executive will be free to join boards and affiliate with organizations provided that such affiliation will not violate any of the obligations set forth in Section 4 of this Agreement.
- (h) The Executive is encouraged, at **[his/her]** own expense, to consult with an attorney before signing this Agreement.
- (i) The Executive may revoke this Agreement within seven (7) days of the date of the Executive's signature. Revocation can be made by delivering a written notice of revocation to [____], Senior Vice President, Human Resources and Organization, United Technologies Corp., One Financial Plaza, Hartford, CT 06101. For this revocation to be effective, [____] must receive written notice no later than close of business on the seventh (7th) day after the Executive signs this Agreement. If the Executive revokes this Agreement, it shall not be effective or enforceable and the Executive will not receive the payment and/or benefits described herein and agrees to immediately repay to the Company the value of any benefits provided prior to revocation.

4. The Executive makes the following representations to and agreements with the Company;
- (a) During a period beginning on the date hereof and extending for three years after the Retirement Date, the Executive will not make any statements which are, or disclose any items of information, which are or may reasonably be considered to be adverse to the interests of the Company. The Executive agrees that **[he/she]** will not disparage the Company, its executives, directors or products.
 - (b) On or before the Retirement Date, or such other date as the parties shall mutually agree to, the Executive will return to the Company all Company Information (as defined herein), Company related reports, files, memoranda, records, credit cards, cardkey passes, garage key cards, door and file keys, computer access codes, software and other property which he received or prepared or helped to prepare in connection with **[his/her]** employment; the Executive has not and will not retain any copies, duplicates, reproductions or excerpts thereof. The term "Company Information" as used in this Agreement means (i) confidential or proprietary information including without limitation information received from third parties under confidential or proprietary conditions; (ii) information subject to the Company's attorney-client or work-product privilege; and (iii) other technical, business or financial information, the use or disclosure of which might reasonably be construed to be contrary to the Company's interests.
 - (c) The Executive acknowledges that in the course of **[his/her]** employment with the Company **[he/she]** has acquired Company Information and that such Company Information has been disclosed to **[him/her]** in confidence and for the Company's use only. The Executive agrees that, except as **[he/she]** may otherwise be directed under this Agreement or as required by law, regulation or legal proceeding, **[he/she]** (1) will keep such Company Information confidential at all times, (2) will not disclose or communicate Company Information to any third party and (3) will not make use of Company Information on his own behalf or on behalf of any third party. In the event that the Executive becomes legally compelled to disclose any Company Information, it is agreed that the Executive will provide the Company with prompt written notice of such request(s) so that the Company may seek a protective order or other appropriate legal remedy to which it may be entitled. In view of the nature of the Executive's employment and the sensitive nature of Company Information which the Executive has received during the course of his employment, the Executive agrees that any unauthorized disclosure to third parties of Company Information or other violation, or threatened violation, of this Agreement would cause irreparable damage to the trade secret, confidential or proprietary status of Company Information and to the Company. Therefore, in that event the Company shall be entitled to an injunction prohibiting the Executive from any such disclosure, attempted disclosure, violation or threatened violation. When Company Information becomes generally available to the public other than by the Executive's acts or omissions, it is no longer subject to the restrictions in this paragraph.
 - (d) To further ensure the protection of Company Information, the Executive agrees that for a period of three (3) years after his Retirement Date, **[he/she]** will not accept employment in any form (including entering

into consulting relationships or similar arrangements) with a business which: (i) competes directly or indirectly with any of the Company's businesses; or (ii) is a material customer of or a material supplier to any of the Company's businesses unless the Executive has obtained the written consent of [_____] or [**his/her**] successor, which consent shall be granted or withheld in his sole discretion. With respect to aerospace suppliers and customers, such consent will be provided if the Company reasonably determines in its sole discretion that the customer or supplier relationship is not material to the Company. The parties agree that the terms of this paragraph are reasonable. However, if any portion of this paragraph is held by competent authority to be unenforceable, this paragraph shall be deemed amended to limit its scope to the broadest scope that such authority determines is enforceable, and as so amended shall continue in effect.

(e) For a period of three (3) years following the Retirement Date, the Executive will not initiate, cause or allow to be initiated (under those conditions which **[he/she]** controls) any action which would reasonably be expected to encourage or to induce any employee of the Company or any of its affiliated entities to leave the employ of the Company or its affiliated entities. In this regard, the Executive agrees that **[he/she]** will not directly or indirectly recruit any Company executive or other employee or provide any information or make referrals to personnel recruitment agencies or other third parties in connection with Company executives and other employees.

(f) The Executive acknowledges that the Intellectual Property Agreement between **[him/her]** and the Company will continue in full force and effect following the Retirement Date.

5. The Company represents to the Executive that it is fully authorized and empowered to enter into this Agreement, and that it will safeguard this Agreement and its terms from public disclosure with the same degree of care with which the Company protects its proprietary information.
6. The obligations of the parties hereto are severable and divisible. In the event any provision hereunder is determined to be illegal or unenforceable, the remainder of this Agreement shall continue in full force and effect.
7. In addition to any other rights the Company may have, should the Executive breach any of the terms of this Agreement, the Company will have the right to recover all payments and benefits provided hereunder and to cease any and all future payments and benefits. Such action by the Company will not be taken capriciously and will have no effect on the Release and Waiver contained in this Agreement.
8. Any dispute arising between the Company and the Executive with respect to the validity, performance or interpretation of this Agreement shall be submitted to and determined in binding arbitration in Hartford, Connecticut, for resolution in accordance with the rules of the American Arbitration Association, modified to provide that the decision by the arbitrator shall be binding on the parties; shall be furnished in writing, separately and specifically stating the findings of fact and conclusions of law on which the decision is based; shall be kept

confidential by the arbitrator and the parties; and shall be rendered within 60 days following impanelment of the arbitrator. Costs of the arbitration shall be borne by the party that does not prevail. The arbitrator shall be selected in accordance with the rules of the American Arbitration Association.

9. This Agreement shall be subject to and governed by the laws of the State of Connecticut.
10. This Agreement constitutes the entire agreement between the parties and supersedes all previous communications between the parties with respect to the subject matter of this Agreement. No amendment to this Agreement shall be binding upon either party unless in writing and signed by or on behalf of such party.
11. Any notice under this agreement shall be in writing and addressed to the Executive as follows:

and addressed to the Company as follows:

United Technologies Corporation
One Financial Plaza
Hartford, CT 06101
Attention: Senior Vice President,
Human Resources and Organization.

Either party may change its address for notices by giving the other party notice of the change.

12. The Company reserves the right to withhold applicable taxes from any amounts paid pursuant to this Agreement to the extent required by law. The Executive, or **[his/her]** estate, shall be responsible for any and all tax liability imposed on amounts paid hereunder.
13. The Executive states that **[he/she]** has read this Agreement, including the Release and Waiver contained herein, fully understands its content and effect, and without duress or coercion, knowingly and voluntarily assents to its terms.

IN WITNESS WHEREOF, the parties hereto have executed or caused to be executed this Agreement on the day and year first above written.

UNITED TECHNOLOGIES CORPORATION

By: _____
Senior Vice President, Human Resources and Organization

Date: _____

Executive

Date: _____

UNITED TECHNOLOGIES CORPORATION
BOARD OF DIRECTORS

[year] RETAINER PAYMENT ELECTION FORM

I hereby elect to receive my annual retainer for [year] of \$100,000 (\$110,000 for committee chairpersons, \$125,000 for members of the Audit Committee, \$135,000 for the Audit Committee chairperson and \$135,000 for the director designated to preside at executive sessions of the non-management Directors) in the following form:

- 60% Tax-Deferred Stock Units and 40% Cash _____,
- 100% Tax-Deferred Stock Units _____,
- 60% Non-Qualified UTC Stock Options/40% Cash _____, or
- 100% Non-Qualified UTC Stock Options _____

(Please check one of the above)

The number of Tax-Deferred Stock Units will be determined by dividing the portion of your retainer to be paid in Stock Units (60% or 100%) by the closing price of UTC stock on the first business day of the calendar year. Fractional Stock Units will accumulate in the Director’s account. All whole or partial Stock Units will be eligible for dividend equivalents equal to the Corporation’s declared dividend and will be credited to your account as additional Stock Units on the date the dividend is paid.

Upon retirement or termination from the Board, all Stock Units held in the Director’s account will be payable in cash, in either a lump sum or in up to 15 annual installments. During the installment period, the balance in the Director’s account will continue to be valued as Stock Units unless the director elects to convert the units to an interest bearing account (U.S. Treasury bill rate plus 1%). The value of the Director’s account will not be taxable until distribution. In the event of the Director’s death before distribution, account proceeds will be distributed to the Director’s estate unless a specific beneficiary designation has been made. Stock Units will be governed by the terms and conditions of the Director’s Deferred Stock Unit Plan.

The number of the options to be granted in lieu of the designated portion of your retainer will be calculated as of the first business day of the calendar year utilizing the Black-Scholes valuation method. Each stock option will have an exercise price equal to the closing price of UTC stock on the first business day of the calendar year; become exercisable on the third anniversary of the grant date; have a ten year term, and be governed by the terms and conditions of the Nonemployee Director Stock Option Plan.

Name

Date

Please Return to: Office of the Corporate Secretary United
Technologies Corporation Fax (860)-_____

**UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES**

STATEMENT RE: COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

	Nine Months Ending September 30,	
	2004	2003
In Millions		
Fixed Charges:		
Interest expense	\$ 267	\$ 279
Interest capitalized	8	8
One-third of rents*	81	65
Total Fixed Charges	\$ 356	\$ 352
Earnings:		
Income before income taxes and minority interests	\$ 3,122	\$ 2,639
Fixed charges per above	356	352
Less: interest capitalized	(8)	(8)
	348	344
Amortization of interest capitalized	5	3
Total Earnings	\$ 3,475	\$ 2,986
Ratio of Earnings to Fixed Charges	9.76	8.48

* Reasonable approximation of the interest factor.

October 26, 2004

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Commissioners:

We are aware that our report dated October 26, 2004 on our review of interim financial information of United Technologies Corporation (the "Corporation") for the three and nine month periods ended September 30, 2004 and 2003 and included in the Corporation's quarterly report on Form 10-Q for the quarter ended September 30, 2004 is incorporated by reference in its Registration Statements on Form S-3 (Nos. 333-51830, 333-60276 and 333-118810), in the Registration Statement on Form S-4 (No. 333-77991) as amended by Post-Effective Amendment No. 1 on Form S-8 (No. 333-77991-01) and in the Registration Statements on Form S-8 (Nos. 333-110020, 333-103307, 333-103306, 333-103305, 333-100724, 333-100723, 333-100718, 333-82911, 333-77817, 333-21853, 333-21851, 333-18743, 033-58937, 033-57769, 033-51385, 033-45440, 033-26627, 033-28974, 033-26580).

Very truly yours,

PricewaterhouseCoopers LLP

CERTIFICATION

I, George David, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United Technologies Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 27, 2004

/s/ GEORGE DAVID

George David
Chairman and Chief Executive Officer

CERTIFICATION

I, James E. Geisler, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United Technologies Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 27, 2004

/s/ JAMES E. GEISLER

James E. Geisler
Vice President, Finance

CERTIFICATION

I, Gregory J. Hayes, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United Technologies Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 27, 2004

/s/ GREGORY J. HAYES

Gregory J. Hayes
Vice President, Accounting and Control;
Controller

Section 1350 Certifications
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of United Technologies Corporation, a Delaware corporation (the "Corporation"), does hereby certify that:

The Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 (the "Form 10-Q") of the Corporation fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: October 27, 2004

/s/ GEORGE DAVID

George David
Chairman and Chief Executive Officer

Date: October 27, 2004

/s/ JAMES E. GEISLER

James E. Geisler
Vice President, Finance

Date: October 27, 2004

/s/ GREGORY J. HAYES

Gregory J. Hayes
Vice President, Accounting and Control;
Controller